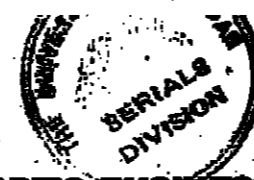


John M. Little



EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Austria	100.00	100.00	100.00	100.00
Belgium	100.00	100.00	100.00	100.00
Denmark	100.00	100.00	100.00	100.00
France	100.00	100.00	100.00	100.00
Germany	100.00	100.00	100.00	100.00
Greece	100.00	100.00	100.00	100.00
Ireland	100.00	100.00	100.00	100.00
Italy	100.00	100.00	100.00	100.00
Japan	100.00	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00	100.00
Portugal	100.00	100.00	100.00	100.00
Spain	100.00	100.00	100.00	100.00
Sweden	100.00	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00	100.00
UK	100.00	100.00	100.00	100.00
US	100.00	100.00	100.00	100.00

1992
Facing up to green
currency truths
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No.31,108 • THE FINANCIAL TIMES LIMITED 1990 Monday March 26 1990 D 8523A

World News Business Summary

Kohl to press for sharper reductions in Nato troops

West German Chancellor Helmut Kohl will press UK Prime Minister Mrs Margaret Thatcher this week to accept a timetable for much sharper cuts in Nato troops in the Federal Republic as part of the process of German unification.

Bonn wants to complete monetary union with East Germany by summer, if possible by July, Page 20

Club fire kills 87

Fire raged through a packed, illegal nightclub in the Bronx, New York, killing at least 87 people who had been dancing to calypso and reggae music. Police suspect the blaze may have been started deliberately in a club mostly frequented by homosexuals, Page 4

Archbishop resigns

Dr Robert Runcie has resigned as Archbishop of Canterbury, Lambeth Palace announced in London on the tenth anniversary of his enthronement. The resignation takes effect next January 31, Page 6

Ligachev omitted

Soviet President Mikhail Gorbachev named five more members of his powerful new presidential council but left out Politburo hardliners such as Yegor Ligachev, Page 2

Azerbaijani deaths

Nine people, including a family of five, were killed in the Soviet southern republic of Azerbaijan in attacks by Armenian militants, Page 2

China admits errors

China's official media have admitted that at least some people were unjustly accused in the round-up of anti-government protesters which followed the Tiananmen Square massacre in Peking last June, Page 2

Visit scaled down

France's National Front scaled down a proposed visit to the southern city of Lyon by West German far-right leader Franz Schönhuber after protests from the mayor and the local Jewish community, Page 2

Kuwait denies abuse

Kuwait rejected an Amnesty International report urging it to probe allegations of serious human rights abuses. The report said that Shia detainees had been held without trial and tortured, Page 10

Angola initiative

Soviet Foreign Minister Eduard Shevardnadze arrived in Nigeria, before leaving Zimbabwe, he said he and US Secretary of State James Baker had agreed to work together on ending the wars in Angola and Mozambique, Page 4

Bangladesh violence

At least 26 people were killed and more than 1,500 injured as rival groups armed with guns and bombs clashed in violence as Bangladesh's rural elections ended amid charges of widespread fraud, Page 2

Kosovo tense

Troops and heavily-armed police kept a tense peace in the Yugoslav province of Kosovo after the federal government accused ethnic Albanians of stirring unrest over a poisoning scare, Page 2

Nixon explains

Former US president Richard Nixon discloses in a book soon to be published that severe depression almost cost him his life after the Watergate scandal toppled him from power in 1974, Page 2

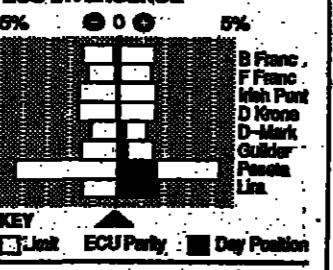
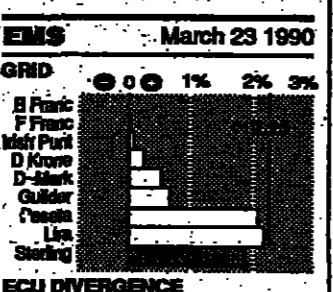
Back-to-school plea

Black South African leader Nelson Mandela urged students to return to class and call off boycotts which have disrupted schools for years, Page 2

Argentina seeks to unblock IMF loan tranches

ARGENTINA'S Government has sent a fresh letter of intent to the International Monetary Fund in Washington, hoping to unblock several tranches of a \$1.5bn stand-by loan which was suspended by the Fund at the start of this year. Only the first tranche, some \$200m, has been disbursed, Page 4

EUROPEAN Monetary System: A weaker D-Mark helped keep pressure off the EMS last week. Strongest currencies were the lire and peseta, well above the other members. The French franc remained near the bottom of the system, but was perhaps the best performing currency on the week, after encouraging French economic news. The D-Mark drifted lower as the market reassessed the East German election result and the possible inflationary impact from German monetary union. Currents, Page 37



The chart shows the constraints on EMS exchange rates. The lower the rate, the more the D-Mark is valued against the currencies. The chart shows the constraints on EMS exchange rates. The lower the rate, the more the D-Mark is valued against the currencies. The chart shows the constraints on EMS exchange rates. The lower the rate, the more the D-Mark is valued against the currencies.

BRITISH Government has been warned that one of the main limits to competition built into the liberalised UK electricity market has been breached a week before the market is due to come into operation, Page 10

US will now probably join the proposed European Reconstruction and Development Bank to assist economic reform in Eastern Europe, although the Administration is taking a tough line on limiting borrowing by the Soviet Union, Page 5

SWITZERLAND is investigating whether a trading firm, of which the husband of former justice minister Mrs Elisabeth Kopp was once vice-chairman, laundered drug profits. The Zurich District Attorney is leading the inquiry into Shakharchi Trading AG, a gold and currency company run by Mr Mohamed Shakharchi, Page 24

COMATSU, construction machinery company, has become the first Japanese company to concede a two-hour reduction in the working week for UK employees since unions launched a national strikes campaign, Page 10

HONG KONG: A simmering row between the Securities and Futures Commission, the colony's market watchdog, and the market practitioners it seeks to regulate has broken into the open, Page 24, Lex Page 20

BERKSHIRE International, the British Sugar owner which has started merger discussions with Tate & Lyle, is expected to announce a management buy-out of its UK property development arm for about \$100m (\$160m), Page 25

NOVA CORPORATION of Canada, weighed down by heavy debt and depressed world petrochemical prices, has put its synthetic rubber division at Ontario up for sale, Page 24

Weekly share price changes

The Financial Times is now publishing weekly percentage price changes for all stocks listed in the London Share Service. These figures appear on Mondays in place of net dividend information, which will be shown on other days.

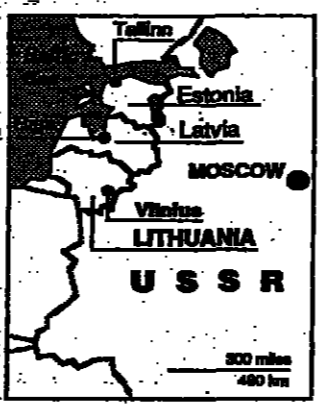
Baltic nationalists to seek freedom in three republics

By Quentin Peel in Vilnius, Lithuania

THE DOMINANT nationalist movements in all three Soviet Baltic republics this weekend pledged their determination to seek independence from the Soviet Union side by side. As the Communist Party of Estonia voted by a large majority to declare its own independence from the Soviet Communist Party, and to seek the independence of the republic in its official party programme, leaders of the nationalist movement met in Vilnius to declare their solidarity with Lithuania, which has already embarked on that path.

They denounced Soviet attempts to intimidate the Lithuanian parliament through "military scare tactics" and both Estonia and Latvia split out their own independence plans.

The Supreme Soviet of Estonia, with pro-independence parties confident of a two-thirds majority, is expected simply to declare the republic no longer a "Soviet republic" when it meets on April 2 and 3. As for Latvia, the parliament will not meet until May but Mr Dzelis, leader of the Latvian Popular Front, promised that its first act would be to declare independence from the USSR.



USSR. The Popular Front of Estonia and Latvia met the leaders of Sajuda, the Lithuanian independence movement, in Vilnius on Saturday night after a week of growing pressure from Moscow on the republican leadership. Last night Mr Romualdis Ozolas, a Sajuda leader and deputy prime minister, announced that he expected a military takeover of the republican parliament. At the same time, members of the Communist Party minority loyal to Moscow, backed by soldiers, seized new party buildings.

The Baltic Nationalist Movement, which meets every month in the so-called Baltic Council, effectively controls large majorities in all the parliaments since the latest round of republican elections. "This shows that the peoples of Estonia, Latvia and Lithuania have formally demonstrated their will to achieve a single aim: the independence of their states," the leaders said. "Therefore the Baltic Council considers that any attempt to interrupt the democratic and parliamentary process either from within or by external forces will be directed fully against the will of the people of Estonia, Latvia and Lithuania."

They called on the Government of the Soviet Union "to stop its military scare tactics and pressure towards Lithuania, and also inciting its citizens to break the laws of the Lithuanian government." They went on to call for "constructive negotiations on an inter-governmental level" leading to their declared ambition of independence.

The solidarity of the three Baltic republics is critical to Lithuania's hopes of forcing President Mikhail Gorbachev

Close vote likely in Hungarian poll

By Judy Dempsey and Nicholas Denton in Budapest

HUNGARY'S two main opposition parties last night appeared to be running neck-and-neck following a high turnout in the country's first free elections in more than 40 years.

The official results will be announced later today. However, an opinion poll of a third of the seats listed by the Hungarian Institute for Public Opinion Research gave the liberal Alliance of Free Democrats 30 per cent of the votes and the conservative Hungarian Democratic Forum 28 per cent.

Neither party will be able to form a government by itself. However, the race between them is crucial because the leading party can hope for support from the Smallholders, which, with a predicted 10 per cent, appear to hold the balance of power.

Like the two leading parties, the Smallholders favour privatisation and a move towards a market economy, but their

Fiat plans \$4bn Soviet investment

By Haig Simonian in Milan and Kevin Dene in London

FURTHER foreign investment into the Soviet Union's automotive industry is expected as more details emerged at the weekend of Fiat's plans for the largest Western investment yet in the Soviet industry.

The deal negotiated by Fiat, the Italian manufacturer, will involve an investment of more than \$4.16bn during the decade.

It could lead to the construction of one of the most technologically advanced engine plants in the world in the Soviet Union. Fiat has also signed a letter of intent with the Polish Government to make its Tipo car in Poland.

The Soviet plants planned for Yelabuga, a town 1,000 kilometres south-east of Moscow, will produce a car with a combined Fiat and Soviet nameplate, the first time a western car marque has been allowed in the Soviet car market.

The ambitious extension of Fiat's manufacturing plans, which are three times the size of the outline deal announced last year, amount to a significant vote of confidence in the Soviet economy as the Government's economic reform programme enters a crucial phase.

Fiat's move, which comes as the Soviet Government is engaged in a review of joint ventures with foreign enterprises, could prompt other Italian manufacturers to follow.

Other companies are considering joint ventures. Peugeot of France is negotiating with the Soviet authorities to produce its 505 saloon at the GAZ plant at Gorky, which produces the Volga car.

The Peugeot's initiative follows the decision by Ford of

the US to abandon plans to produce its Scorpio saloon at the GAZ plant.

The November accord committed Fiat to a joint venture to produce 300,000 cars a year, code named A93, based on its Uno model.

The revised deal will lead to the development of a second smaller car based on the Panda and a third larger model with a 1,300cc engine, based on the Tempra saloon which has just gone on sale in Italy. The plant will eventually have an output of 900,000 cars a year.

Fiat will also build a plant to produce 900,000 engines and gearboxes a year. The engine plant will be closely modelled on Fiat's so-called Fire (fully integrated robotised engine) engine plant at Tremoli, in southern Italy, which is one of the world's most highly automated engine plants.

The Tempra car is likely to be powered by a larger version of fuel-efficient Fire engine. According to industry officials, the Fire engine, which is restricted to the 750cc-1,000cc range, has already been expanded to 1,300cc on a prototype basis.

A Soviet delegation led by Mr Ivan Stepanovich Silasov, vice president of the Soviet Council of Ministers visited the Tremoli plant last week, as well as Fiat's car assembly and gear box plants and technical research and development centre.

Fiat will be responsible for providing the technology for sheet metal pressing, body assembly, painting, large plastic components pressing, final assembly and testing.

Financing details for the project remain vague.

VW chief fails to dispel Spanish investment fear

By Peter Bruce in Madrid

MR CARL HAHN, chairman of Volkswagen, came to the Costa Brava at the weekend to calm Spanish fears that West German industrial interest in a democratising Eastern Europe will divert funds earmarked for Spain.

He may have inadvertently done the opposite. He told over 300 Spanish industrialists and bankers in Lloret de Mar that VW would have to revise upwards its

Major offers prospect of lower UK interest rates by early 1991

By Peter Norman and Philip Stephens in London

MR JOHN MAJOR, the British Chancellor of the Exchequer, yesterday said Britain's partners had gone a long way to fulfilling their side of the bargain struck at the Madrid European Community summit in June.

The main obstacle to entry remained Britain's inflation rate. But while that meant that the Government could not join now, "the sooner we are able to create the conditions the better."

Sir Geoffrey's comments on German monetary union appear at odds with the recent message from Downing Street that Mrs Margaret Thatcher sees creation of a single German currency as a possible obstacle to membership.

He said that while the Government had to be careful in choosing the right moment, it should not rule out a decision to join before the next general election.

His comments, with those of Mr Major, confirm that Mrs Thatcher's three most senior ministers all see the possibility

at least of membership before that election, which is due by mid-1992.

Mr Major yesterday had words of modest encouragement for hard-pressed UK borrowers but said little to satisfy those City of London economists who this week criticised his first Budget as too soft to tackle Britain's inflationary problem.

Inflation is expected to rise from February's 7.5 per cent annual rate to 9.5 per cent and possibly to double figures in April. Mr Major repeated the Treasury forecast that inflation would be slightly above 7 per cent at the end of this year and down to 5 per cent and falling by mid-1991.

He said cutting inflation would not be put at risk by a premature reduction in interest rates. He added, however: "My expectation is that inflation, and therefore with it interest rates, will be mastered."

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OVERSEAS NEWS

Gorbachev excludes hardliners from council

Deserters and 'lost souls' await their fate in Vilnius

By Mark Nicholson in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday named three more members of his powerful new presidential council to create a representative and strongly reformist body, but one excluding such Politburo hardliners as Mr Yegor Ligachev.

The appointees join 10 others named over the weekend. With the addition of Mr Nikolai Ryzhkov, who has an ex-officio seat on the council as prime minister, this takes the council to a larger-than-expected 16 members.

Yesterday's appointments were Mr Vadim Bakartin, the Interior Minister, Mr Valeri Boldin, a senior party central committee member, and Mr Yuri Osipov, vice president of the Academy of Sciences.

Creation of the council, which has a purely advisory

role, was approved by the Congress of People's Deputies earlier this month.

Extended executive powers for the Soviet President were also approved by the Congress of People's Deputies.

The body will assume overall responsibility for overseeing security, domestic and foreign policies and for the implementation of a raft of radical economic measures Mr Gorbachev has pledged to introduce over the next few months to propel the Soviet Union towards a market economy.

It is also likely increasingly to supplant the Politburo as the inner sanctum of Soviet policy-making as Mr Gorbachev shifts real authority from the Communist Party to state bodies.

But analysts suggested yesterday that the size, interdisci-

plinary and regional representation of the body - which includes two writers and a leading workers' spokesman - might make it more unwieldy and perhaps less effective than had at first been thought.

"It's a classical piece of cabinet-making, broadly trying to take in a wide variety of interests," said one commentator. "But its breadth suggests Mr Gorbachev might finally still rely on his close personal advisers."

At least 10 of the 16 on the council can be broadly characterised as Gorbachev supporters. And the Soviet leader has notably by-passed several conservative Politburo members apart from Mr Ligachev, with neither Mr Lev Zaikov, the former Moscow party chief, nor Mr Vitaliy Vorotnikov, the chairman of the Russian

Supreme Soviet having been appointed.

As expected, however, Mr Dimitri Yazov, the conservative Defence Minister, was among the 10 appointments made earlier at the weekend.

So too were Mr Eduard Shevardnadze, the Foreign Minister, Mr Alexander Yakovlev, the central committee secretary, and Mr Vladimir Kryuchkov, the KGB chairman - who are all Gorbachev allies.

Others named to the body include Mr Yuri Maslyukov, the conservative first deputy prime minister, Mr Stanislav Shatalin, a reformist economist, deputies Mr Albert Kauls and Mr Vladimir Rasputin - a noted ecologist and Russian nationalist - and Mr Chingiz Aitmatov, a strong Gorbachev loyalist.



Ligachev: by-passed by Gorbachev for presidential council

By Quentin Peel in Vilnius, Lithuania

THE PSYCHIATRIC hospital in New Vilnius is one of those depressingly neo-Victorian institutions with echoing corridors and peeling paint and plaster, where one meets the occasional patient wandering like a lost soul.

About two dozen Lithuanian deserters from the Red Army are camped out there in a wing normally reserved for disturbed teenagers - which is probably what their former officers would consider them.

In fact, they could scarcely be a more normal bunch of youths, some still sporting teenage acne, others a first furtive moustache. A couple are budding car mechanics, one simply said he wants to be a "worker", another has several job offers already as an art restorer when he comes out of the army, and one young father has a five-month-old baby at home.

Yet they represent probably the single most sensitive challenge to Soviet power in the rebellious republic of Lithuania and their presence could yet be the flashpoint for some sort of Soviet armed intervention to arrest them. They are waiting with a mixture of bravado and trepidation for whatever fate may have in store.

They sleep in a couple of battered hospital wards, behind a

NINE people, including a family of five, have been killed in the southern republic of Azerbaijan in attacks by Armenian militants, official reports from the region said yesterday. Reuter reports from Moscow. The reports, carried by the official Tass news agency, said the attacks took place on Saturday in the Kazakh district of Azerbaijan.

door with a simple lock, protected by nothing more than a large Red Cross flag and a handful of nurses with Red Cross armbands. If the army wants to pick them up, there is nothing to stop it.

"Of course, we are better off here than in the army," says Mr Kestutis Krassauskas, 21, and almost at the end of his two-year conscription when he decided to desert. "Nobody wants to serve in the Soviet Army, not even the Russians. Nobody would call it an army."

Mr Gintaras Stilis is 20, and served his time in Belorussia, the next-door republic to Lithuania. "We served there for two years," he said. "And yet we have no idea what a soldier is supposed to do. It had no purpose."

The bearded deserters simply walked out of their Soviet

Army units over the past two weeks or failed to return from leave after they heard the news that their republic had declared its independence from the Soviet Union.

Their inspiration was apparently a mixture of an outburst of patriotism, disgust with the pointlessness of army life, and bitterness at the racial bullying they got from their fellow recruits.

"They called us fascists and Nazis," Gintaras Stilis said. "All of the conscripts from the Baltic republics were treated the same."

Ironically, they all agreed that it was not so much their Russian fellow-soldiers who took it out of them but recruits from the Central Asian republics, who dominate the army units far from home.

"There were 50 from the Baltics, 50 Russians and more than 400 of the rest," said Evaldas Steimokas, a sickly-looking 21-year-old who insisted that he wants to become a Lithuanian policeman.

"They used to beat up new recruits with a stool," he said. "I must have been beaten about 20 times in 18 months. I really don't remember."

One youth is scared. He has not even told his parents where he is.

Lithuania's man in US quietly carries on the struggle

By Lionel Barber in Washington

IF President Gorbachev uses force to depose the newly formed Lithuanian government, the independence battle passes to Mr Stasys Losoraitis Jr, the Baltic republic's chargé d'affaires in Washington.

Fluent in six languages (but not Russian), Mr Losoraitis is a writer, lecturer and diplomat extraordinaire. He has served

in the Lithuanian foreign service - which has clung improbably to its mission despite 50 years of Soviet subjugation - ever since the Second World War.

His father, a former Lithuanian foreign minister, was sent to Italy in 1940. Losoraitis Jr decoded his first diplomatic cipher when he was 15 years

old. During the war, he was a member of an underground group of Scarlet Pimpernel helping American prisoners of war and Jews to escape.

After the War, Mr Losoraitis served at the Lithuanian delegation to the Holy See, and got to know five Popes. He took over the Washington legation, one step below a full embassy,

in 1987, and he combines the post with being representative to the Holy See in Rome.

Mr Losoraitis said recently: "My father never lost his faith. Before he died, he affirmed his belief that Lithuania will be free. He said: 'All dictatorships crumble'. Even Hitler did not last his 1,000 years."

The Lithuanian legation is

based in a 40-room mansion at 2622 16th Street, the same building the Lithuanian government bought in 1920. Yesterday, a staff member said Mr Losoraitis was believed to be in Rome and would return to the US next week. "We have had telephone calls from all over the world," she said, "and the support has been tremendous."

Grandmothers aid Young Democrats

By Nicholas Denton in Budapest

THE MOST unlikely voters for the most unlikely party in yesterday's Hungarian elections were the old Budapest ladies who support Fidesz, the Alliance of Young Democrats, with the passion with which they love their grandchildren. For Fidesz leaders are young enough to be their grandchildren.

The phenomenon is no curious little quirk. Polls show that, after the young, pensioners are the most likely to sympathise with Fidesz. The ability of Fidesz to extend its appeal could let the party beat Hungary's ruling Socialists. After a witty and professional campaign, Fidesz has pushed past 10 per cent in the polls.

The Alliance of Free Democrats, the liberal party, which may be the largest after the elections, rather patronisingly regards Fidesz radicals as "younger brothers".

Mr Gáspár Tamas of the Free Democrats puts Fidesz's success down to the grandmother factor. "Their strongest support is among old ladies who think they're so sweet," he says.

But Fidesz voters themselves give more serious reasons for their affiliation. Mrs Lenke Szilji, who voted yesterday, agrees that Fidesz leaders are sweet but says: "Old people have made enough mistakes. Now it's time for young people. I am so old, nearly 80 years old, and I am fed up with old people."

The Fidesz campaign was not obviously targeted at pensioners. The party's best poster showed two pictures: one of Leonid Brezhnev and Erich Honecker, the old Soviet and East German leaders, fraternally kissing; the other of a young boy and girl with Fidesz badges in a similar embrace. The text: "Fidesz chooses..."

A pop song with the lyrics "Follow your heart," the Fidesz election slogan, ran through the party's last television advertisement, but Mrs Szilji was not put off. "I don't like rock music but Fidesz is appealing, anyway."

Mrs Erzsébet Király likes the lameness of Fidesz leaders. Mr Viktor Orbán, the scruffy and bearded 27-year-old who is perhaps Hungary's best orator, said all the things that everyone believed and no one had dared say out loud. She voted for Fidesz "because the future belongs to young people".

At Mr Gergo Barath's campaign meetings there were only old and young people. The Fidesz leader, who looks still in his teens, has an explanation for the absence of the middle-aged: "They made compromises under the old regime. They made their lives then."

EASTERN EUROPE ELECTS



Hungary

Free Democrats reap rich harvest

By Judy Dempsey

VOTERS in Hortobágy, one of the most conservative regions in eastern Hungary, which also boasts the finest panes, the biggest catfish and the smallest trees in the world, yesterday appeared to have upset the pundits by turning out to vote for the Budapest-based Alliance of Free Democrats.

"The atmosphere is very good here," said Mrs Erzsébet Albert Hajdu, one of the election officers. "People are very happy. For the first time their hands are not tied. They can vote for whom they like."

And they did. Mr Istvan Kocsis, a burly 37-year-old electrician, wanted change, and fast. "The Free Democrats are radical. They want to change the system and get rid of all these [Communist] criminals. That's why I voted for them."

Mr and Mrs József Gombos agreed. "I like the Free Democrats because they're not going to do with the Communists."

The surprising fact is that the Free Democrats hardly campaigned at all in this string of small villages which are dotted along the Puszta, the vast, flat plains of eastern Hungary.

Much of the hard work was done by the right-of-centre provincial-based Hungarian Democratic Forum which is running neck-and-neck with the Free Democrats. The Smallholders, who have promised to return to its original owners all the land confiscated by the Communists in 1947, were hardly mentioned.

Mr Even Erno, a 54-year-old tractor driver for many years on one of the co-operative farms, opted for the Democratic Forum. "They did a good campaign," he said. Others said the "nice thing about the Forum is that they are not aggressive."

Those who did not vote for the two large parties were either the very old or the very young. Agnes, a 65-year-old who cycled straight from the Catholic church to the election centre, voted for the Christian Democrats. Mr Istvan Egri, a 19-year-old horse trainer, opted for Fidesz, the radical youth movement.

"You know, Fidesz never came down here. But I want them in and I want the Communists out."

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OVERSEAS NEWS

VW chief fails to calm Spaniards' investment fears

By Peter Bruce in Madrid

MR CARL HAHN, chairman of Volkswagen, came to the Costa Brava at the weekend to calm Spanish fears that West German industrial interest in a democratising Eastern Europe will divert funds earmarked for Spain. He may have inadvertently done the opposite.

He told over 300 Spanish industrialists and bankers in Lloret de Mar that VW would have to revise upwards its investment plans in its Spanish subsidiary, Seat, because of political change in East Germany. From the second half of this year, he said privately, Seat would begin exporting components, mainly body panels, to a Polo assembly plant VW hopes to bring on stream in East Germany.

But the enthusiasm for Eastern Europe expressed by both Mr Hahn and Mr Gerhard Leiner, VW's Finance Director, left their audience in little doubt that Spain has lost its place as West German industry's favourite European investment target.

Spain already has the third highest non-communist trade deficit in the world after the US and Britain and, as domestic demand slows, political changes in the East have caught Spanish industry off guard. The country is inexperienced as an exporter and industry has practically no knowledge of Eastern Europe.

Mr Hahn said Eastern

Europe could create a market for 4.5m cars a year, and VW would need new capacity to build an extra 600,000 a year. He confirmed VW was negotiating a deal with Skoda in Czechoslovakia, in competition with other European producers, and said VW was considering making cars in Poland and Romania.

"Our opportunities grow by the day," he said. East German industrial structures, the Kombis, would have to be smashed. Visiting VW's licensed engine plant in East Germany last week, he found it manned by immigrants. They would be replaced with "technically superb" Russian-speaking East Germans, he added.

"You will not recognise these countries in five years," Mr Hahn declared. This was not necessarily what the assembly wanted to hear. Mr Leiner warned that although Spain could still attract German investment, "some people still think Spanish wages are so high it is still favourable to build here. This is not the case. The gap is closing very quickly."

Mr Hahn and Mr Leiner's remarks were for the most part received in worried silence. "You Spanish industrialists should go East," Mr Hahn told them. For Spain, that will be easier said than done.

US, Japan hopeful on economic co-operation

By Peter Riddell, US Editor, in Washington

THE US and Japanese finance ministers hope talks at the weekend will provide reassurance on stability of the international financial system.

They want to ensure the rise in the dollar against the Yen and the latest sharp fall in Tokyo share prices do not cause major disruption.

No new initiatives on interest rates or exchange market intervention were taken at the meeting in Los Angeles between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryoichiro Hashimoto, Japan's Finance Minister.

The two ministers later issued a statement jointly reaffirming their commitment to economic policy co-ordination, including co-operation in exchange markets.

Mr Hashimoto said he had raised Japan's concerns about the weakness of the Yen and the desire for lower US interest rates. The US response was "not totally negative". Mr Brady said: "We'll continue to do in terms of policy co-ordination and intervention what we have got to now."

A US Treasury official said the main US concern was to make sure the system remained stable in face of upheavals, such as the 1987 stock market crash, collapse of the US junk bond market, German unification, emergence of the Eastern bloc, and rising interest rates.

On TV, Mr Brady noted that the fall in the Tokyo stock market had been assimilated in the international system without much of a ripple for the US and German markets. No reason existed why rates in Japanese and West German interest rates had to be reflected in the US.

The US priority in talking to Mr Hashimoto was to prepare for the full meeting of the Group of Seven finance ministers and central bank governors in Paris on April 7.

This will discuss ways of strengthening the policy co-ordination process to reinforce the message of stability.

Mr Brady, who saw the four European members of the G7 three weeks ago, will meet Mr Michael Wilson, Canada's Finance Minister, in Washington in the next few weeks.

A US Treasury official said there were no major issues for discussion, but the G7 meeting would have a full agenda, covering German unification, currency market changes, the Japanese stock market, and completion of the International Monetary Fund quota review.

Mr Hashimoto and Mr Brady also discussed the market-opening Structural Impediments Initiative. US officials noted, with satisfaction, Friday's pact on liberalising Japan's supercomputer imports, which one said should be the map to other deals.

Squabbles behind the Hollywood glitter

Alan Friedman puts the spotlight on the politicking that goes with the Oscar awards

IT'S OSCAR time again today and this evening's ceremony - a three-hour extravaganza that will be watched by hundreds of millions of viewers in 90 countries - comes in the wake of more controversy and behind-the-scenes politicking than Hollywood has seen in quite some time.

The viewers at home may not know - or care - but the 3,000 guests at the Chandler Pavilion in Los Angeles will be watching with a kind of secret mental score card, a "political" one.

The politicking has concerned just about every aspect of the star-studded event, from the quotient of kitsch considered "acceptable" in the programme to the site of the event, and to the glaring omission from the list of nominees of Roger and Me, the satirical

documentary about Mr Roger Smith, the chairman of General Motors.

Clearly this is not the first time that the denizens of Hollywood have squabbled over the Academy awards.

But two factors - the exceedingly poor quality of last year's Oscar show (actors Paul Newman and Gregory Peck described it as demeaning) and the flap over Roger and Me - have made tonight's gala even more argued about than usual.

The main recipients of Tinseltown pressure have been Mr Gilbert Cates, the show's new producer, and Mr Bruce Davis, executive director of the Academy of Motion Picture Arts and Sciences.

Mr Cates, a veteran director, was appointed to produce this year's show after a special committee of elders from the Academy looked into the reasons why last year's show was considered such a flop.

The most talked about problem last year was an overly long, badly orchestrated and glitzy singing-and-dancing number featuring an unseemly Snow White and dancers with fruit on their heads.

Worse still, no-one involved in the show bothered to ask Disney, the proprietor of the Snow White trademark, for permission. Disney was none too pleased.

Mr Davis admits that the Snow-White episode was unfortunate, but he counters that ABC Television, the network which pays \$10m for rights to the broadcast, was pleased because the ratings were high.

Aside from the show itself the other big controversy has been over the exclusion of Roger and Me, a funny documentary that tells the story of

unemployed car workers in Flint, Michigan, and of how a journalist from Flint fails to get an appointment with Mr Roger Smith, the effortlessly bland chairman of General Motors.

The selection process for most of the 23 Oscar categories consists of Academy members from 12 different branches choosing nominees and then voting. But there is no branch for documentaries, which are judged by a special committee.

One member of this committee, who is also a distributor of documentaries, has been accused of having a conflict of interest because he owns the distribution rights to three of this year's five nominees in the documentary feature category. Mr Davis has promised to look into the charges.

The other two intensely "political" issues in Hollywood

concern who gets invited to the event itself and who presents awards.

This year's venue, the Chandler Pavilion, has only half the 5,800 seats of the Shrine Auditorium, where last year's Oscars ceremony was held. Mr Davis claims it was the "terrible traffic" last year that led to the switch in venue. "We had nominees abandoning their limousines and skittering down hot sidewalks in their stockinged feet."

The issue of which stars will present top awards is also highly political. Mr Cates told the New York Times that a measure of any star's "security" is that he or she should be willing to present an award less important than Best Picture or Best Director. It remains to be seen this evening just how "secure" the stars really are.

OBITUARY

An Wang, the billion-dollar entrepreneur

THE STORY of Mr An Wang, the founder of Wang Laboratories, who died on Saturday at the age of 70, had all the makings of a best-selling novel.

His was the story of a Chinese immigrant to the US, who through his brilliant inventions and entrepreneurial excellence created a billion-dollar company before handing it over to his son.

An immigrant from Shanghai, Mr Wang received a first-class degree at the university there before travelling to the US in 1945 to take a postgraduate degree at Harvard in applied physics and engineering.

After the communist takeover in 1949, he decided to pursue his career in the US.

While at Harvard, he pio-

neered the development of magnetic core memory, which was to become the most common device for storing computer data before the invention of the memory chip.

Wang Laboratories was set up by Mr Wang in 1951 using \$500,000 he had been paid by IBM for the patent covering his memory invention.

On meeting Mr Wang, it was difficult to perceive the dynamism that created a stream of ingenious technological products.

These included the world's first electronic scoreboard, one of the first programmable calculators, and a series of market-leading word-processors.

If his rise had the makings of a best-seller, Mr Wang seldom retold the story.



An Wang: pioneered the magnetic core memory

A modest man, he was more than shy, and, on the whole,

left dealings with the press to his executive aides.

He seldom visited Europe, and during the 1970s refused to fly there, preferring to cross by the Atlantic by ship.

Nevertheless, despite his shyness, his undoubted ingenuity and drive created a company which at one point had revenues of \$3.1bn and employed 31,000 people.

He was also well known for his philanthropic work in US.

Mr Wang handed over running of his company to his son, Fred Wang in November 1987.

However, following financial problems at the company, Mr Wang returned to the business last August despite suffering from cancer of the oesophagus.

Paul Abrahams

Protest strike in Puerto Rico

TRADE UNIONS in Puerto Rico have called a one-day general strike on Wednesday to protest against the planned divestment by the island's administration of the local telephone company, writes Camille James.

The government of the US Caribbean possession is offering the company for \$3bn, which would make it the largest divestment in US history. The government wants the money for use on social programmes.

Puerto Rican unions have not been assured by the government's undertaking that the purchasers of the telephone company will have to agree not to make any workers redundant for the first three years.

The unions want the government to cancel the sale.

Council of Europe ready to boost activities in east

By Patrick Blam in Lisbon

THE COUNCIL of Europe ended an extraordinary meeting in Lisbon this weekend, confident it had a mandate from its 23 member states to increase substantially its activities in eastern Europe to meet growing demand for help from the region's emerging democracies.

For the first time since the Council was set up in 1949 to promote human rights and pluralistic democracy, ministers and representatives from Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, the Soviet Union and Yugoslavia were invited to take part in its discussions.

Despite the optimism, discussions about the Council's expanding role in eastern Europe were overshadowed by concern over the rise of violence against minorities in Romania and events in Lithuania.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, warned the Soviet Union against the use of force against Lithuania.

"We appeal strongly to the Soviet Union not to use threats or pressures against the newly-elected parliament and gov-

ernment of Lithuania," he said. "The use of force against the Lithuanian people would have very serious consequences for international relations."

Mr William Waldegrave, the British Minister of State for Foreign Affairs, urged caution on both sides.

A proposal by Mr Alois Mock, the Austrian Foreign Minister, for a special conference to discuss the problem posed by the sharp increase in the number of refugees from eastern Europe to the West, will be discussed at a Council meeting in May.

The meeting also approved plans for an increase in the organisation's 1990-950m budget to meet the extra demands on the Council's resources.

The Council is to discuss further how its expanded role will fit in with some of the activities falling under the umbrella of the Conference on Security and Co-operation in Europe (CSCE).

"There was consensus about the need to reinforce the role of the two bodies in the field of human rights."

The Council decided to seek formal representation at forthcoming CSCE meetings.

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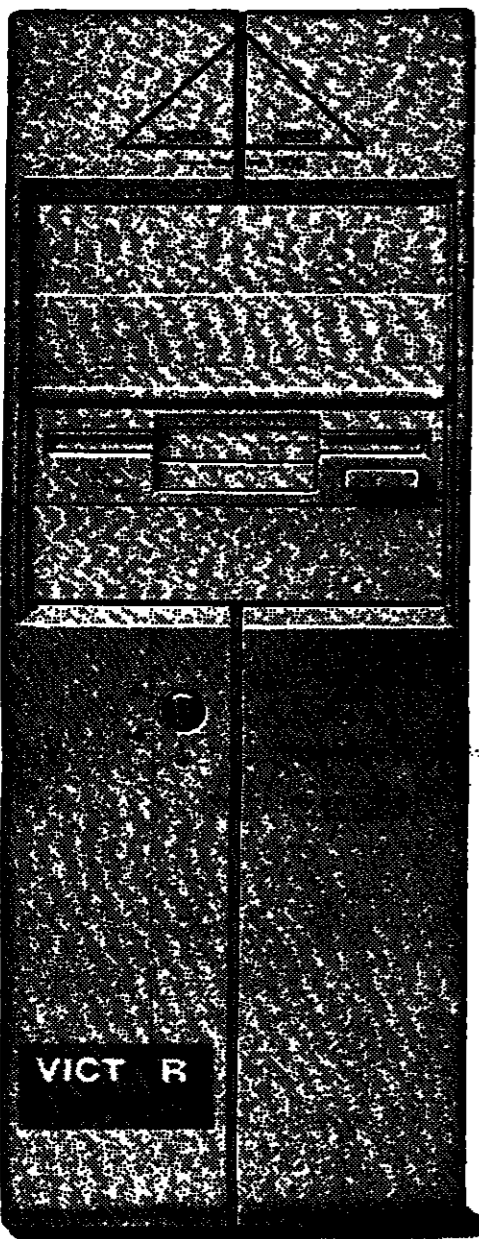
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NEWS IN BRIEF

Nightclub fire kills 87 in New York

A FIRE, possibly caused deliberately, swept through a crammed private nightclub in a slum district in the Bronx early yesterday, killing at least 87 people, most of them immigrants from central America, agencies report from New York.

Fire department officials said there were signs that the blaze had been started deliberately but declined comment on reports that petrol cans had been found at the scene.

The fire broke out shortly in the two-storey red brick Happy Land social club packed with more than 100 dancers. Many were from Honduras and the Dominican Republic. Authorities and witnesses said the panic-stricken victims were trapped and only one man apparently managed to escape, severely burned.

Christians fight in Beirut

Rival Christians fought each other in their Lebanese heartland yesterday, killing four people and wounding 11 in a storm of machineguns, rockets, and artillery fire, Reuters reports from Beirut.

Security sources said General Michel Aoun's troops and Lebanese Forces militiamen fought for 90 minutes in the east Beirut suburb of Ashrafyah, Sin el-Fil, Salouni and Doua.

The fighting was the worst breach of a fragile church-mediated ceasefire reached on March 2 to halt fierce battles between Gen Aoun's 15,000 troops and the militia's 10,000-man force.

At least 830 people have been killed and more than 2,650 wounded in the fighting which started on January 31 when Gen Aoun ordered the militia to disarm.

French mission to Moscow

A French trade delegation begins a three-day visit to Moscow today in an attempt to improve flagging Franco-Soviet commerce and to negotiate over late Soviet payment of trade debts, writes William Dawkins in Paris.

Mr Pierre Bérégovoy, the French Finance Minister, and 40 senior executives will meet senior Soviet officials to discuss a range of bilateral trade and co-operation issues, including the establishment of a training programme for 3,000 Soviet executives, the repatriation of foreign exchange by French companies working in the Soviet Union and the difficulties encountered by the 40 existing Franco-Soviet joint ventures.

Late payments to some French businesses are also on the agenda, an important theme for the French Government which over the weekend announced a credit guarantee scheme for small and medium-sized French businesses operating in eastern Europe.

Mongolians demonstrate

More than 10,000 people demonstrated in the Mongolian capital Ulan Bator yesterday against continuing Communist domination, the East German news agency ADN said, AP reports from East Berlin.

The demonstrators also called for the resignation of the nation's parliament, the Great People's Hural. The agency quoted Mongolian opposition leader Sanjayaev Zorig as saying that the scrapping of the Communist Party's constitutional monopoly on power on Friday was an insufficient measure.

Concern over Soviet Jews

Israel sent a senior official to Budapest yesterday amid concern that restrictions by the Hungarian state airline could seriously slow the exodus of Soviet Jews to the Jewish state, Reuters reports from Jerusalem.

The Foreign Ministry's assistant director-general for East European affairs, Mr Yosef Govrin, flew to Hungary hoping to secure resumption of flights for Soviet Jews that were halted last week after threats by a radical Palestinian group.

Initiative on Angola war

MR Edvard Shevardnadze, the Soviet Foreign Minister, said at the weekend that he and Mr James Baker, US Secretary of State, had agreed to work together on ending 15-year bush wars in Angola and Mozambique, Reuters reports from Harare.

Speaking as he left Zimbabwe for Tanzania on his seven-nation African tour, Mr Shevardnadze said: "Mr Baker

AUSTRALIAN HUNG PARLIAMENT POSSIBLE

Labor confident of returning for fourth term

By Chris Sherwell in Sydney

AUSTRALIA'S Labor party was confident of returning to power for a fourth term yesterday, despite a drain of support in Saturday's election which has raised the prospect of a hung parliament.

With 80 per cent of votes counted, at least six of the 145 lower house seats were still in doubt. Analysts estimated 71 seats had gone to Labor, led by Prime Minister Bob Hawke, 70 to the Liberal-National party coalition, headed by Mr Andrew Peacock, and one to an independent.

Australians now face several days of uncertainty while postal votes are counted and voters' second and third preferences are distributed. Financial markets are expected to respond negatively to the lack of direction, particularly if it means government instability or another election.

Both Mr Hawke and Mr Peacock said they expected to form a government, but Labor officials expected a majority of two to four while the less confident Liberals foresee a parliament in which the two sides each hold 73 seats alongside two independents. Pending the outcome, Mr Hawke will continue in a caretaker role.

Preliminary figures indicated that Labor captured just under 40 per cent of the primary vote, a drop of around six points, while the Liberals

improved marginally to secure just under 35 per cent and their National party allies dipped more than three points to eight per cent. The minority Australian Democrats surged some five percentage points to take 11 per cent.

In a novel development, voting in the Queensland seat of Kennedy had to be postponed on Saturday because of flooding, putting added pressure on electors yesterday. The final outcome now hinges on results from this seat together with another in South Australia, two in New South Wales and two in Western Australia.

In these and other constituencies, the preferences of voters who backed minority parties will be crucial. As a result of its targeted environment campaign and an unusually direct pitch for preferences, Labor is expecting a 50:50 split in its favour from votes for Australian Democrats and Green Independents.

The most significant factor in Labor's poor showing was a disastrous loss of support in Victoria, where the party's state government has presided over financial losses at the state bank and industrial unrest.

Eight seats are thought to have fallen to mostly Thatcherite Liberal candidates, destroying most of Labor's national majority of 18. Labor's share of



Bob Hawke hugs his wife Hazel as the results come in

the primary vote plummeted in Western Australia too.

Against this, Labor benefited from the troubles of the corruption-tainted National party. The Nationals yesterday appeared in danger of losing both their leader, Mr Charles Blunt, who is threatened by an independent in northern New South Wales, and their deputy leader, Mr John Stone, in the party's Queensland heartland.

Mrs Janine Haines, the leader of the Australian Democrats, failed in her bid to secure the party's first lower house seat, and is bowing out of politics altogether. In wealthy North Sydney the Liberals' Mr John Spender lost to the popular Mr Ted Mack who became the first independent

to win a seat in some 25 years.

Mr Peacock and his deputy, Mr Fred Chaney, both acknowledged that the Liberals would probably be in government if the National party had performed better, while Mr John Howard, the former Liberal leader, said "the mark of Cain" - a reference to the Victorian Premier Mr John Cain - was heavily upon Labor.

For Labor Mr Hawke said the election had effectively produced a "status quo" result outside Victoria, where he acknowledged a "disaster" attributable to state factors. Senator Gareth Evans, the Foreign Minister, called the result a "comprehensive kick in the tail for the Victorian government and the National party".

S Africa to abandon segregation in schools

By Patti Waldmeir
in Johannesburg

THE South African Government has decided to abandon the principle of segregated state education - a decision seen as a step towards dismantling apartheid.

From January 1 next year, white state schools will be allowed to accept non-white children. But the final decision is to rest with the parents of pupils at each school, with approval required from a large majority of parents - perhaps as high as 90 per cent - before a school can be open to all races.

This is likely to mean that, though the principle of integration has been accepted, the practice of segregation will continue in all but a few schools.

The move, announced by Mr Piet Class, Minister of (white) Education, has been condemned by the ultra-right Conservative Party. The party's education spokesman, Mr Andrew Gerber, called it "a drastic and tragic change of course in the history of education in South Africa".

However, Mr Roger Burrows, spokesman for the liberal Democratic Party, hailed the decision as a watershed which would "irrevocably move the country away from apartheid". Schools segregation has been one of the pillars of the apartheid system in force since 1948.

Under the Government's plan, state schools which decide on integration would have two options: to remain state schools (a choice never before open to them) or to register as private schools but with a substantial state subsidy. Previously, the Government has turned a blind eye to integration in private schools, but provided only a limited subsidy.

To overcome years of underfunding of black education, the Government appears to be moving towards a system where affluent communities - whites, and some coloureds and Indians - would pay to educate their own children privately. State resources would be used mainly to educate black children in overwhelmingly black schools.

Argentina seeks to unblock IMF loan

By Gary Mead in
Buenos Aires

ARGENTINA'S Peronist Government has sent a fresh letter of intent to the International Monetary Fund in Washington, hoping to unblock several tranches of a \$1.4bn (GB£800m) standby loan which was suspended by the Fund at the start of this year. Only the first tranche, some \$200m, has been disbursed.

The new letter of intent includes the following aims: from April prices should not rise by more than 65 per cent by year-end, easing downwards until December registers just 3 per cent a month; projected zero growth in gross domestic product for 1990; a Treasury surplus of 2 per cent of GDP for 1990; a forecast trade surplus of \$4.8bn; and a small fiscal surplus, reversing large fiscal deficits of recent years.

Several Argentine Government officials, including Mr Javier Gonzalez Fraga, senior Economic Ministry adviser, are due to travel to Washington this week to discuss the letter with Fund officials. Government officials are confident that the blocked IMF stand-by loan will be restored by the start of May.

The two main areas where last October's letter of intent collapsed were inflation and the fiscal deficit.

The new targets are no less demanding than those of October 1989's letter of intent. Inflation has averaged 50 per cent a month since last December, that average is likely to climb to 65 per cent by the end of March. However, in the last two weeks prices have stabilised and in some cases even dropped.

Increased tax revenues are also easing the Government's immediate problems, though thanks to the recent hyperinflationary surge February's introduction of generalised value added tax at 13 per cent has not yet brought in as many fresh funds as projected.

On one front, exchange rates, the Government has registered considerable success in March. The austral has not only stabilised but has strengthened against the dollar by 25 per cent since February to its current exchange rate of 4,500 to \$1.

Observers are not sure whether the growing number of optimistic signs concerning the economy are more than transient. Restoration of the IMF loan is now a probability, but further credit will depend on President Carlos Menem's ability to maintain his currently firm political and economic control.

Stronger UK-Argentine links welcomed

By Andrew Marshall

A JOINT Argentine/British opinion poll shows that both sides overwhelmingly welcome the renewal of diplomatic relations, although they remain far apart on the disputed sovereignty of the Falkland Islands.

In Britain, 70 per cent agreed with the renewal of relations, and in Argentina the figure was 81 per cent. The poll, released today, surveyed 856 Britons and 800 Argentines. It was undertaken by Galling Poll in the UK and Soc-

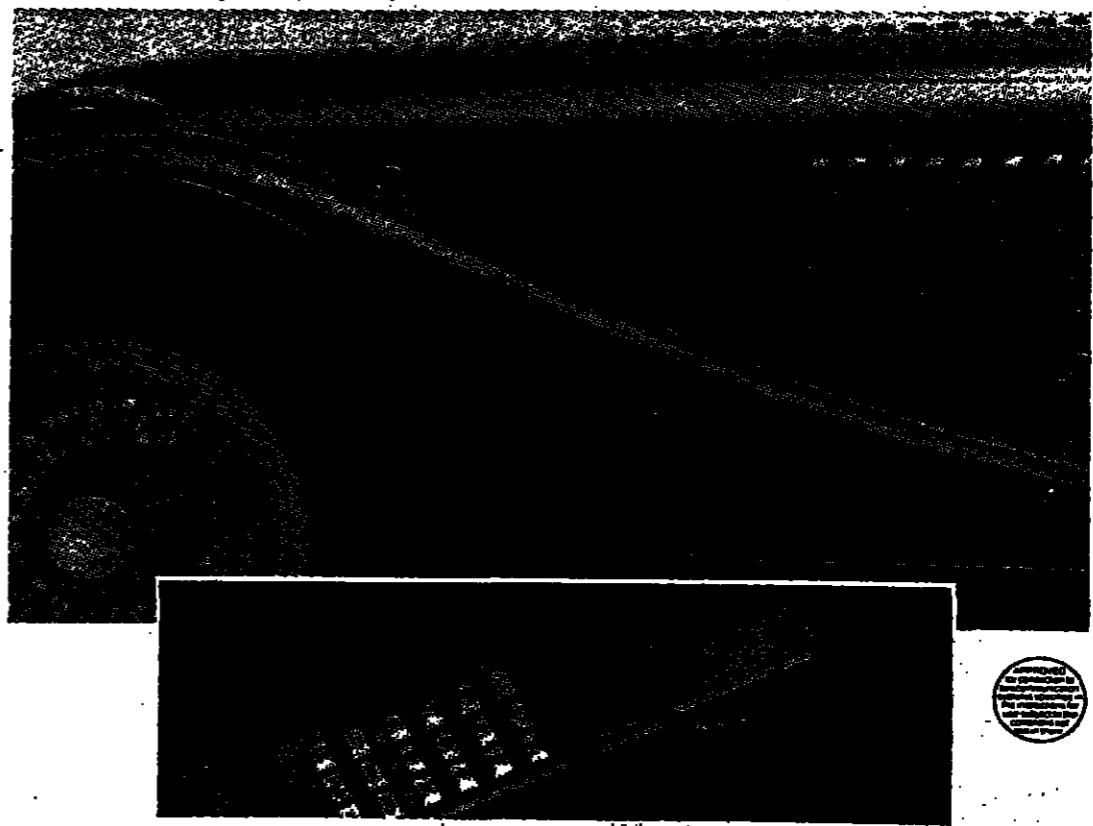
marco in Argentina and commissioned by the South Atlantic Council, set up to work for better Anglo-Argentine understanding after the Falklands war in 1982.

The majority of respondents who expressed an opinion in both countries rejected a loose-back approach to the Falkland Islands, whereby Britain gives the islands to Argentina but retains control for the lifetime of the present inhabitants. One-third of British respondents wanted the islands to be

permanently British, while 65 per cent of Argentines wanted full sovereignty. Interestingly, 23 per cent of the British sample thought the best long-term future for the islands was independence.

The poll shows overwhelming British support, at 85 per cent, for the Conservative Party's stand that the islanders have the right to decide their own future. This view was also supported by 24 per cent of Argentines, up from 15 per cent in 1988.

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OVERSEAS NEWS

EC forced to face up to green currency truth

States must grasp the chance to remove farm price excesses, Tim Dickson writes

IT ENCOURAGES fraud, is fundamentally inflationary and, in the view of Brussels officials, its very openness gives the European Community a bad name. Welcome to the EC's agri-monetary system, which for much of this week will be centre stage as agriculture ministers struggle to fix the level of guaranteed farm prices for the next 12 months. Manipulating "green" currencies the way the system permits has proved a useful, not to say essential, device for hotly negotiating deals. This week's meeting in Luxembourg will be no exception.

But the real issue for member states is whether, in the next few years, they will grasp the chance provided by the EC's single market to remove at least the worst excesses of what one expert scathingly calls "an expensive con".

Not for the first time, where farming is concerned, the EC is being reluctantly forced to face reality. Budgetary pressures and international opinion hastened reform of the Common Agricultural Policy's guaranteed-price mechanisms two years ago. In this instance, the centrepiece of the 1992 programme is a market without internal frontiers - is providing the essential spur.

Border controls have two main uses in intra-Community trade - to check goods subject to value added tax and excise duties (on which plenty has so far been written), and administer monetary compensatory amounts (MCAs), the levies and subsidies designed to iron out currency distortions in cross-border farm trade.

MCAs lie at the heart of the EC's agri-monetary arrangements - but when the political commitment to abandon them by the end of 1992 was taken in mid-1988, agriculture ministers had not worked out how to

avoid offending their powerful farm lobbies (notably West Germany), had probably not thought out the embarrassing implications for the EC's position in the Uruguay Round international trade talks, and had certainly not decided what to put in their place.

It is one of the most powerful myths that agriculture in Europe is the only true common market. The truth is that while common prices have long existed in the EC's currency, the Ecu, prices diverge considerably when it comes to the national "monies" which farmers actually pocket.

The agri-monetary system dates back to 1969 when, in the wake of revaluation of the D-Mark and a devaluation of the French franc, the EC let Germany and France continue calculating national farm prices on the basis of previous exchange rates (that is, before the parity change).

The reasons for creating these distinct "green" rates were political - Paris wanted to discourage food price rises which would fuel inflation and Bonn was reluctant to accept a cut in farm incomes through the common price translating into lower D-Marks for its producers.

MCAs - "positive" for revaluing currencies, "negative" for devaluing ones - were also introduced to avoid distortions in the operations of the EC "intervention" purchase mechanisms in the member states and enable cross-border trade to continue at a common price level.

Without them, lower-price countries would have been able to sell their surplus wheat into "intervention" stores in higher price countries - or displace produce from the local market - while farmers in the strong-currency countries would have been at a competitive disadvantage in trying to

sell their output in the weak-currency states.

The system - justified in many ways, not least the desire to guarantee a degree of certainty among the vagaries of the farm sector - has since undergone changes and refinements in the monetary environment. The Bretton Woods era of fixed parities ended in the early 1970s and the European Monetary System came in during 1979 (using the Ecu as its base). Today, not all states in the EC fully participate in the Exchange Rate Mechanism

member states decided to apply a co-efficient or "correcting factor" to ensure that at realignments the common farm-price level appreciated in line with the strongest currency in the ERM (in practice the D-Mark), and that no new positive MCAs were subsequently created.

The effect may have been better to restore market unity but, as spelt out in a British Government critique in 1988, the "strongest-currency" system has resulted in a higher average level of agricultural prices than under the earlier system and has added to the Community's budgetary difficulties, and inflation. It has enabled the Community to appear to be following a severe price policy while concealing the off-setting effect of green rate devaluations.

The June 1987 European Summit agreed a modification to the system so that when the correcting factor was increased 25 per cent, the effect is neutralised, with a reduction in prices from the start of the following marketing year. That does not ignore the fact that the green Ecu - the rate that matters for farmers - is worth 14.3 per cent more than the real Ecu.

Scrapping the green Ecu in line with 1992 should theoretically lead to a cut in support prices by the same amount. Politically, this seems inconceivable; what is more likely is a one-off technical offsetting rise in institutional prices, an admission no doubt to be milked to the full by EC farm policy critics such as Australia, New Zealand and the US.

Supporters like the West German Chancellor, Mr Helmut Kohl, a regular correspondent on the subject with Commission President Mr Jacques Delors, believe MCAs are the glue that has bound the CAP together for the past 20 years of currency adjustments, and

that they should stay. Critics such as the EC Court of Auditors highlight the system's inherent inflationary nature, the EC budget's lack of transparency, and the scope for fraud.

In 1986, when the UK had a higher negative MCA than Ireland, lucrative trade went on in smuggling cattle from Northern Ireland into the Irish Republic. At other times, a quirk makes it profitable for French and Belgians to load farm goods at their own ports but declare them for export in the Netherlands.

Scraping existing MCAs, especially the small ones remaining for currencies in the ERM, is not the real problem, though there will be much huffing and puffing this week in Luxembourg. Britain wants a larger green-pound devaluation than the one-third cut proposed by the Commission; Bonn will prove obdurate on the plan to close outstanding monetary gaps (left over from before 1984).

The more important challenge for the EC is how to avoid creating new MCAs after 1992, and if special treatment for farmers in Brussels will continue into the 1990s. A so far confidential and controversial Commission paper written last year proposed abolishing the correcting factor and MCAs, but envisages that small differences between national and Ecu prices or green currencies might persist.

But discussion of these ideas by the full Commission has been repeatedly held up, and given the sensitivity in Bonn, will not be tackled before the West German elections. By then, the dynamics of German unification may have changed all the arguments, but with France fast becoming a net contributor to the EC budget, insiders think Paris will ultimately hold the key.

US likely to join bank to aid reform in E Europe

By Peter Riddell, US Editor, in Washington

THE US will now probably join the proposed European Reconstruction and Development Bank to assist economic reform in Eastern Europe, although the Bush Administration is taking a tough line on limiting borrowing by the Soviet Union to obtain a compromise from Moscow and to win Congressional support.

Mr Nicholas Brady, the US Treasury Secretary, has told Congress that, whether the US joins or not, the bank will go ahead.

"Let's conjure up together what the headlines would be if we didn't join this. It's kind of a stark proposition to think of us not as a member," he declared.

"What sort of signal would that send to the Eastern bloc countries that are so counting on our help and who come to Washington once a week to ask for our assistance?"

The difficult negotiations over the French initiative for the \$12bn (£7bn) bank - which are due to be concluded in Paris in two weeks' time - have demonstrated the extent of the limits on the US's ability to control events.

Some officials in Washington might have preferred to have increased lending via established institutions, including the International Finance Corporation, the private sector arm of the World Bank. But they have accepted that, for political reasons, the Europeans, especially the French and Germans, wanted their own bank.

Noting the contrast with the Marshall Plan era of the late 1940s, as well as current limits on US resources, Mr David Mulford, US Treasury Under-Secretary for International Affairs, has turned the argument round to talk of burden-sharing with successful

European countries.

Washington will still be the largest single shareholder, having probably about 10 per cent, as compared to 8.5 per cent for the major European countries. However, this stake is about half that of the US in the International Monetary Fund and World Bank.

None the less, the US has won on the important point of ensuring that, unlike other development banks, at least 60 per cent of the new institution's annual lending will be to the private sector or to state enterprises which are being privatised.

'Let's conjure up together what the headlines would be if we didn't join this. It's a stark proposition to think of us not as a member'

The main sticking point is over the role the Soviet Union will play in the enterprise. The US has wanted to limit the bank to Eastern Europe, and, at most, initially limit any Soviet borrowing up to the amount of its paid-in capital, a net zero.

This is partly to prevent the Soviet Union from dominating the bank.

A compromise floated by the US, with Japanese and broad European support, including backing from Britain, is that the Soviet Union should give a voluntary undertaking to limit its borrowing to this level for, it is suggested, five years, with loans going solely to technical

assistance and private sector operations.

After that period, an 85 per cent majority would be required to grant full borrowing eligibility.

US officials are hopeful about Moscow's agreeing to this. The US's public insistence on this position as a "deal-breaker" determining its participation partly reflects the Administration's refusal to give direct financial assistance to the Soviet Union, but also reflects an awareness of problems involved in winning Congressional approval.

There is a need for the US to be seen to avoid being "soft on the Russians", of subsidising communism. Not only have such charges as Senator Jesse Helms opposed US involvement, but Senator Robert Dole, the Republican Minority leader, and Senator Robert Kasten have proposed the alternative of setting up a special facility at the World Bank - of which there is no chance.

Senator Kasten spoke last week of the danger of domination by "European policy-makers who are indifferent, if not hostile, to growth economics" and who still believe that "socialism can be reformed".

The other difficulty the US faces is over the proposal that the bank's capital be denominated in European Currency Units rather than dollars.

The US claims that an open-ended foreign currency risk is unacceptable for its Budgetary calculations, and it is considering putting a cap on its dollar contribution.

Provided, however, some compromise can be worked out with the Soviet Union, the US looks virtually certain to participate in the project - mainly for the political reason of not wanting to turn its back on Eastern Europe.

New bid to speed trade talks

TEN world political and economic leaders yesterday warned of dire effects if international trade talks fail to succeed by December, and named a new Eminent Persons Group pledged to finalising the Uruguay Round, Nancy Dunne reports from Washington.

Members represent major trading countries. They are: Lord David Young, former UK Secretary of State, Trade and Industry; Mr William Brock, former US Trade Representative; Mr Enrique Iglesias, president, Inter-American Development Bank; Mr Michael Moore, NZ Foreign Affairs and Trade Minister; Mr Peter Sutherland, former EC Commissioner; Dr Viravarn Amnuay, former Thai Finance Minister; Mr Paul Jolles, former Swiss Secretary of State, Foreign Economic Affairs; Mr Orio Lombardo, former West German Economics Minister; Mr Yoshio Okawa, former Japanese Ambassador to the US; Mr Ali Alatas, Indonesia's Foreign Affairs

Minister. Mr Martin Wolf, chief economics leader writer for the Financial Times, will advise them and be rapporteur.

The group said the slowdown in negotiations and the

pace of change in the world threaten to sideline the Gatt talks. Failure could plunge the world into trade stagnation, recession, and strained links between trading blocs.

WORLD ECONOMIC INDICATORS					
TRADE STATISTICS					
UK (£bn)		Feb '90	Jan '90	Dec '89	Feb '89
	exports	8,428	8,502	8,720	8,671
France (FFbn)		Jan '90	Dec '89	Nov '89	Jan '89
	exports	9,833	10,522	9,537	9,116
US (\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	imports	-1,385	-2,020	-1,317	-2,245
W. Germany (DMbn)		Jan '90	Dec '89	Nov '89	Jan '89
	balance	87,886	105,454	97,770	83,330
Japan (US\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	imports	96,847	105,965	100,141	93,771
		Jan '90	Dec '89	Nov '89	Jan '89
	balance	-9,961	-4,411	-2,441	-4,432
US (\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	exports	32,072	30,843	30,627	28,365
W. Germany (DMbn)		Jan '90	Dec '89	Nov '89	Jan '89
	imports	41,325	38,622	40,739	36,856
Japan (US\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	balance	-9,253	-7,679	-10,112	-8,521
		Jan '90	Dec '89	Nov '89	Jan '89
	exports	57,50	53,10	53,80	52,50
W. Germany (DMbn)		Jan '90	Dec '89	Nov '89	Jan '89
	imports	44,00	44,00	45,90	40,00
Japan (US\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	balance	+13,50	+9,10	+8,90	+12,50
		Jan '90	Dec '89	Nov '89	Jan '89
	exports	22,021	21,260	22,592	24,040
W. Germany (DMbn)		Jan '90	Dec '89	Nov '89	Jan '89
	imports	16,962	17,422	17,028	14,089
Japan (US\$bn)		Jan '90	Dec '89	Nov '89	Jan '89
	balance	+5,059	+3,838	+5,572	+9,951



"Leave the thinking up to me."

Sometimes the expression on a gorilla's face is just like Rodin's 'Thinker'. But nobody really knows what's on his mind. In our human world we are thinking AI (Artificial Intelligence, and more specifically, Neurocomputers).

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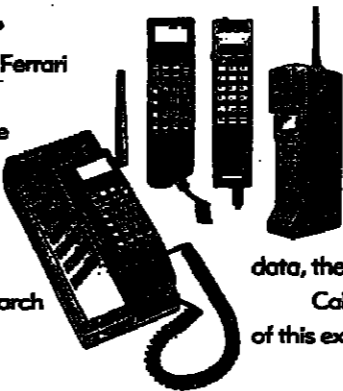
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UK NEWS

Scotland expects lowest price for electricity

By James Buxton, Scottish Correspondent

AVERAGE electricity prices in Scotland are expected to be lower than those in England and Wales after privatisation, mainly because of Scotland's better electricity distribution system.

Mr Malcolm Rifkind, the Scottish Secretary, is expected to announce the so-called X factor in the pricing formula for the two Scottish electricity companies on Thursday. The companies, Scottish Power and Scottish Hydro-Electric, will also announce their tariffs for the coming year.

Mr Rifkind indicated last week that average tariffs for the coming year would not increase by much more than the rate of inflation and that, over the next four years, the average price rises to customers would be held below the rate of inflation.

In the following four years, regulation would gradually move over to an index derived from average generation prices in England and Wales.

Last week Mr John Wakeham, the Energy Secretary, announced price formulae for the English and Welsh distribution companies ranging from the Retail Price Index (RPI) plus zero to RPI plus 2.5 per cent.

The main difference between Scotland and England is that the Scottish boards began a large programme of refurbishing their distribution network in 1982.

It now requires less investment than the network south of the border. Distribution companies in England and Wales need to double their capital spending programme over the next 10 years to £10bn.



Rifkind: tariff rises not much more than inflation

Regulation of electricity prices in Scotland will not apply to customers taking 10 MW or more, whose tariffs will be governed by competitive forces.

Prices to smaller customers will be regulated but the electricity companies will be free to set different tariffs for different groups of customers within the average price cap.

Both Scottish companies have reached outline agreement on sales of electricity to some of the English distribution companies, with Scottish Power having agreed sales of about 180 MW and Scottish Hydro-Electric deals for about 100 MW.

The contracts are subject to agreement with National Grid Company (Gridco), responsible for running the national transmission network, on the cost of using the transmission line between England and Scotland, which has capacity of about 800 MW.

New leasing up 20% but growth is slowing

By David Lascelles, Banking Editor

THE VOLUME of new leasing business written by members of the Equipment Leasing Association rose by 20 per cent to £13.6bn last year. However, much of last year's growth occurred in the first half with business slowing down in the second half because of the effect of high interest rates.

Mr Derek Soper, ELA chairman, said the downturn would probably be most strongly reflected in the figures for the early part of this year. However, he predicted a soft landing because companies used leasing as a means of financing new equipment without the need for immediate capital investment.

The market sector that showed the largest increase last year was manufacturing, where business jumped by 55 per cent to £3.8bn. General plant and equipment accounted for 25 per cent of the total - up 36 per cent on the 1988 figure. Vehicle leasing was the largest sector in monetary terms, with a record 35.8m of cars and commercial vehicles financed during 1989.

The ELA says its members represent more than 80 per cent of the leasing industry and finance 27 per cent of all investment in plant and equipment in the UK.

Brussels plan may lead to ban on some meats

THE MEAT and Livestock Commission has criticised EC plans for hygiene measures that could lead to the banning of certain types of minced beef, sausages and beefburgers in the UK.

The Brussels proposal, concerning raw beef, which is seldom eaten in Britain, would require minced beef to be no older than six days.

Britain's meat trade hangs beef carcasses to improve texture and flavour for a minimum of 10 days before processing. Cooking it properly destroyed any bacteria present, the commission said.

Runcie's retirement opens debate over successor

By Alan Pike and Maggie Urry

THE RETIREMENT of the Archbishop of Canterbury, Dr Robert Runcie, will mean that his successor and a newly elected General Synod will work together on the most controversial issue facing the Church of England in the 1990s - the ordination of women.

Dr Runcie's decision to leave before his 70th birthday - the normal retirement age - in October 1991 was not unexpected. Discussion about the timing of his resignation, and his likely successor, has been alive in the Church for the past year or two. Dr Runcie said that an early handover would allow his successor to tackle a number of fresh initiatives and to attend the Assembly of the World Council of Churches next February as well as the meeting of the Primates of the Anglican Communion in Belfast in April 1991.

Dr Runcie has tried to adopt a diplomatic position on the potentially highly divisive issue of the ordination of women, showing himself sympathetic but anxious to avoid a damaging split.

He has also had to handle difficult issues such as unity with the Roman Catholic church, homosexuality and divorce of clergy.

Dr Runcie's pronouncements on poverty and other social issues have led to many Con-

servative MPs regarding him - and the Church which he heads - as openly critical of the Government.

That will add a strong political dimension to the debate about the choice of his successor. Mrs Margaret Thatcher, the Prime Minister, will advise the Queen on his successor. She is likely to favour a more traditionalist figure.

Within the Church, Dr Runcie has led what has become known as the liberal wing. Traditionalists believe this increasingly influential group of senior clerics has been too quick to support contemporary issues at the expense of more established values.

The Archbishop of York, Dr John Habgood, is presumed to be too openly identified with the liberal cause to win support from the Prime Minister and is, in any case, likely to be excluded on the grounds of his age; he is 62.

Age also rules out the Church's leading traditionalist - The Bishop of London, Dr Graham Leonard, 68 - who has led the opposition to the ordination of women. Several other prominent bishops, such as the Bishop of Liverpool, Dr Rev David Shepherd, are also unlikely to find favour with the Government, in view of their outspoken positions on social and economic issues.

One suggestion raised at the 1988 Lambeth conference of Anglican bishops was that the next archbishop, who is nominal head of the worldwide Anglican communion, might come from outside the Church of England. If that gained support, a front runner would be the Archbishop of Armagh and Anglican Primate of Ireland, the Rt Rev Robert Eames, who would be likely to find favour with the Government.

The selection procedure, which takes several months, involves the Crown Appointments Commission selecting two names from a list of possible candidates. The Prime Minister then puts one name to the Queen.

The Prime Minister can turn down both the suggested candidates if she is not satisfied with them. The Queen, who is head of the Church of England, is expected to accept whomever the Prime Minister nominates.

Lambeth Palace said yesterday that Dr Runcie had been "undoubtedly" during his period of office. He is understood to be hopeful that Mr Terry Waite, his special envoy who has been held hostage in the Lebanon since January 1987, will be released before his retirement.

He is expected to retire to St Albans and to pursue hobbies which include keeping Berkshire pigs.

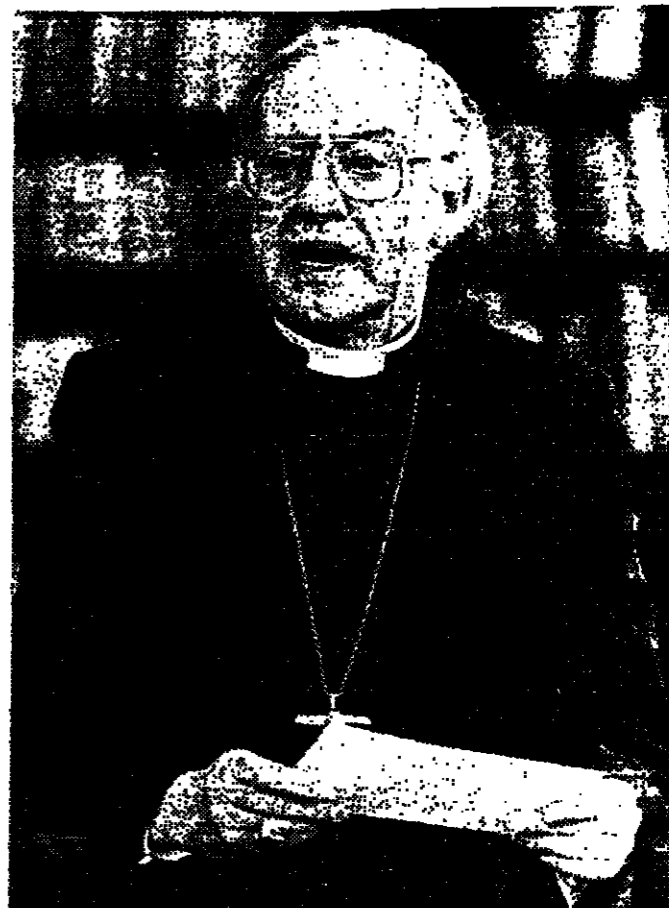
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Dr Robert Runcie: retirement decision was expected

Social issues that led Archbishop into areas of controversy

FROM THE START of his 10 years as spiritual leader of the Church of England, the Archbishop of Canterbury, it became clear that Dr Runcie's role would be more than simply ecclesiastical, writes Paul Abrahams.

In 1980, the year of his enthronement, he criticised the Government for its attitude to the miners' strike and the global economic divide. In 1981, he called for a

ban on tactical nuclear weapons and in the following year, he opposed unilateral nuclear disarmament.

After the Falklands conflict, he preached forgiveness for Argentina at a memorial service in St Paul's.

During the miners' strike in 1984, Dr Runcie supported the Bishop of Durham, who had criticised the Government's handling of the strike and had called for the removal of Mr Ian

MacGregor, then Coal Board chairman.

Later that year he challenged the Government over policies which he said caused "unemployment on an unprecedented scale, poverty, bureaucracy, despair about the future of some communities and inequitable sharing of the sacrifices called for." In that year he also gave support to the appointment of women priests.

A Church of England report on decaying inner cities the following year prompted accusations from conservative ministers of "Communist-Marxist" recommendations.

Last year, he again attacked the Government's attitude to poverty and suggested that Britain was moving towards a pharisaical society of selfishness. He also called for Christians to accept the Pope as universal leader of the Church.

M&G Group tops client service survey

By Eric Short, Pensions Correspondent

THE LIFE and pensions operations of the M&G Group were awarded top place for service and administration to clients in the second annual survey conducted by the Alexander Consulting Group.

The survey is based on the experience of Alexander staff in dealing with insurance companies.

It is assessed on speed and efficiency of service, both at head office and at local branches, and the knowledge and helpfulness of insurance company staff.

The survey last year produced a barrage of criticism from Alexander over service and administration.

This year's survey showed

that insurance companies had responded to the criticism and the staff of Alexander Group was reporting a rise in standards and efficiency, particularly from the smaller companies.

Nevertheless, Alexander still feels that considerable scope exists for improvement by life company staff.

LIFE COMPANIES (Service standards)

- 1 - M & G
- 2 - Clerical Medical
- 3 - Prudential
- 4 - Allied Dunbar
- 5 - London & Manchester
- 6 - Canada Life
- 7 - Confederation Life
- 8 - Scottish Mutual
- 9 - Sun Life
- 10 - Swiss Life

Source: Alexander Consulting Group

BSB starts but with restricted service

BSB, the satellite television service, started broadcasting yesterday. Transmission was restricted to one of the five BSB channels and was available only on cable networks.

Full transmission to customers with "satellite" receiving dishes will start on April 29. Shareholders in BSB include Pearson, the group that owns the Financial Times.

CBI share ownership survey

THE Confederation of British Industry task force set up to widen direct share ownership will this week conduct a survey of companies' attitudes to the issue, writes Paul Abrahams.

The survey will be sent to all listed companies. It will ask what their

attitudes are to investor relation policies, employee share ownership schemes and the extent to which companies know about their shareholders.

The survey will also ask what companies are doing to attract private shareholders as investors.

Jobs feast and famine mark the north-south divide

Hazel Duffy charts the way Swindon and Sunderland, once so similar, have gone their separate ways

THE DECISION by Marcon last week to close its electronic devices division in Swindon with the loss of 280 jobs, most of them highly skilled, is the first such blow to the town for some time.

Swindon still provides a striking example of growth in the south, in spite of the closure, which was made because of expectations of a drop in demand for defence equipment.

Sunderland, in the north-east, provides stark contrast. The town is still struggling to recover from the closure of shipbuilding and the contraction of engineering.

For Sunderland, persistently high interest rates could be serious. In the south, some slowdown might be severely exacerbated by employers confronted with labour shortages, staff poaching and leapfrogging in wages.

Swindon, in Wiltshire, has excellent communications and plentiful supplies of land. That was what attracted Galileo, the computerised transmission and information systems owned by 10 airlines, to the town two years ago. It now employs 700 people.

Honda, the Japanese car maker, arrived in 1985, initially to carry out pre-delivery inspections. It is now assembling engines and in the new year will start assembling cars on what was once an airfield.

These arrivals are worrying other employers in the town because of the local labour shortage. Mr Paul Humphreys, managing director of Bluebird, which makes Bluebird and Merit brand toys, in Swindon



Swindon: assembly line at the new Honda factory

believes Galileo has already made it more difficult to recruit office staff, and Honda will make it worse. Bluebird has sought to overcome the shortage by expanding in Wales rather than Swindon. Campaigns to entice women back to work are under way. School leavers have been the traditional targets, but now nurseries are being set up and child-care vouchers issued to reach the working mother. Older women are being encouraged to return to work, too.

Wiltshire is thought to have

a greater untapped resource in women than nearby Bristol, in the county of Avon. Women made up 43 per cent of the working population in Wiltshire in 1984, and the female workforce is expected to rise faster than the number of jobs available.

Wiltshire, Gloucestershire and Avon are all suffering from labour shortages, intensified by the drop in school leavers. Between 1985 and 1994, the 18 to 19-year-old group will have dropped by an estimated 28 per cent in Wiltshire, for instance.

Unemployment in Swindon is only just over 3 per cent, a figure seen by some economists as the equivalent of full employment. In Sunderland, unemployment in the travel-to-work area is 12.5 per cent, high even when the town, which has a figure of 11 per cent, is taken into its handling of the strike and had called for the removal of Mr Ian

MacGregor, then Coal Board chairman. Later that year he challenged the Government over policies which he said caused "unemployment on an unprecedented scale, poverty, bureaucracy, despair about the future of some communities and inequitable sharing of the sacrifices called for." In that year he also gave support to the appointment of women priests.

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Last year, he again attacked the Government's attitude to poverty and suggested that Britain was moving towards a pharisaical society of selfishness. He also called for Christians to accept the Pope as universal leader of the Church.

Manufacturing is also on the verge of a new era in the area. Honda will employ about 1,200 eventually.

White overalls are the uniform at Honda, where the workers are "associates" rather than employees. Mr Andrew Jones, a senior manager, is confident that the Japanese management approach at the plant will give Honda the edge over other employers.

Honda is not looking for previous motor skills; it has turned farm workers and supermarket staff into assembly workers and managers.

The company is seen as an addition to Swindon rather than a company filling a gap. The arrival of Nissan to the outskirts of Sunderland had a much greater psychological impact - on the damaged north-east. Nissan has the same flexible skills philosophy, but the management style borrows more from West Germany than Japan. The philosophy is

Katzen - continuous improvement; blue overalls are the uniform for all.

Nissan employs 2,500, slightly more than were made redundant in the shipyards, and will go to 3,500 by early 1993. Mr David Armstrong, who runs the employment centre set up by British Shipbuilders, says, however, "Nissan has not been our salvation. It is about different people and different jobs."

Mr Philip Ashmore, Nissan personnel manager, says: "The shipyards were geared to specific skills. We turn out multi-skilled technicians." The company has about 100 technicians apprenticed for four years.

It is very different from the hierarchical, unionised shipyards. Only 30 per cent of the workforce belong to the Amalgamated Engineering Union, the sole union with which Nissan has an agreement.

Sunderland is an industrial town. It has not tried to attract

the service and high-tech companies from the south. It is bidding to be "the advanced manufacturing centre of the north."

New factory units and workshops are springing up alongside the River Wear - financed by Whitehall, waiting to be re-financed by private investment in the enterprise zone.

For the moment, however, Sunderland still feels as if it lacks the core industry that will provide its lifeblood. The craft skills learned in the shipyards are waning.

Over 1,200 people have found work, but not all in Sunderland. Stillwell in Suffolk and Sellafield in Cumbria have been some of the beneficiaries of the demise of shipbuilding.

Sunderland has people, but not enough jobs. Swindon has jobs, but not enough people. The experiences of these two towns suggest that the north-south gap has narrowed little.



Sunderland: a wasteland of cranes left by the loss of shipbuilding

Fraud inquiry on Queen's University repairs cash

QUEEN'S University in Belfast is at the centre of a fraud investigation. A report from a police inquiry into allegations of misappropriation of funds in the buildings department has been sent to the Director of Public Prosecutions in Northern Ireland.

Administrative staff were questioned and the university confirmed last week that a member had left after being suspended. It is understood that he held a middle-rank position.

Fraud squad officers were called in after it was discovered that repair work on university buildings, contracted to a company, was carried out instead on private property.

Some contractors allegedly agreed to carry out private work for university staff in return for guarantees that they would get regular work from the university.

A decision whether to prefer charges is expected soon. The police report was handed over to the DPP two months ago.

The police began the investigation after a spot check 15 months ago into repair work being carried out on university property.

An official said at the weekend: "A member of staff was suspended in 1988 pending the outcome of an internal inquiry in the buildings office. Police have been making extensive inquiries... and the matter is now in the hands of the DPP."

EC farm policy 'destroying the countryside'

THE COUNTRYSIDE is being destroyed by European Community policies that encourage farmers to remove hedges, overgraze moorland, drain wetlands and spray pesticides to increase production, the Council for the Protection of Rural England says in a study.

It describes the EC's Common Agricultural Policy as an engine of destruction still firmly in place.

It says the reduction in food surpluses in the past few years has given the impression that production had been curbed. However, there is still "an unacceptable level of damage to the environment by agriculture." More than 90 per cent of farm spending in Britain "is still potentially damaging."

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UK NEWS

Bar says retrial should be a right if new facts arise

By Robert Rice, Legal Correspondent

THE BAR Council, the barristers' governing body, has called for the introduction of a statutory right to allow new evidence to be put before a jury in cases where there has been a possible miscarriage of justice.

In its submission to the inquiry by Sir John May into the Guildford and Woolwich pub bombings cases, the Bar says the Court of Appeal is too cautious in ordering retrials in cases where fresh evidence has been produced.

At present, the Court of Appeal looks at the evidence itself and does not consider the effect it might have had on the jury at the original trial. The Bar says that must change.

"The Court of Appeal should not usurp the position of a jury. It should ask itself whether the evidence is new, relevant and capable of making a difference to the reasoning of a jury. If this low threshold is passed, the appellant should have the right to a retrial," it says.

The Bar wants the court to retain its general discretion to quash a conviction. It recommends that the Home Secretary should refer cases to the court where there are grounds for believing a verdict is unsafe or unsatisfactory. At present, the Home Secretary will make a referral only when there is

fresh evidence that casts doubt on the original verdict. That cannot be a proper exercise of his discretion, it says, because it amounts to a refusal to refer any case where there is no fresh evidence.

The Bar's other recommendations include: petitions to the Home Secretary to be investigated by a lawyer rather than a civil servant; confessions in serious cases to be verified in their material details; a duty on the police to disclose all material in a case to the Crown Prosecution Service; and suspects detained under the Prevention of Terrorism Act to have the same rights as those suspected of other crimes.

The Guildford Four had their convictions for the 1974 bombings quashed by the court of appeal last October after it emerged that investigating police officers had materially altered evidence against them.

The Bar's submission coincides with renewed public concern over the convictions of the six men serving life sentences for the 1974 Birmingham pub bombings.

Their cases were re-examined by the Court of Appeal in 1987. Last week, Mr David Wedderburn, the Home Secretary, ordered a fresh police inquiry into certain aspects of their case.

Shoe shops still too numerous, report says

By Maggie Urry

THERE are still too many footwear outlets in the UK in spite of a number of shop closures in the past two years, says Verdict Research, the retail consultancy group. The industry "has a reputation for archaic practices and limited innovation," the report says.

The footwear market was worth £2.5bn in 1988 but in real terms has not grown for three years, the report says. At the same time the costs of operating shops has been rising sharply, squeezing profits.

British Shoe Corporation, owned by Sears, has recently rationalised its shops further and adopted a new marketing strategy. Verdict says BSC's market share has fallen by 1.7 percentage points over the last year to 20.7 per cent of the market.

Verdict says it is not easy to succeed in the footwear sector, partly because high stock levels and a more intensive level of service are needed. However, it is an area where small specialists can beat the larger groups.

Footwear Retailers' Verdict Research, 112 High Holborn, London WC1V 6JS. 2465.

Quest for perestroika in urban planning

Jimmy Burns joins a Soviet professor in search of ideas from a whistle-stop tour of British buildings

PROFESSOR Yuri Bocharov was looking somewhat awestruck after a night on the town.

The professor, who is President of the Soviet Society of Urbanists, Research Director of the Central Research and Design Institute for Town Planning, and Secretary of the Board of the USSR Union of Architects, is in the UK to study urban living and home ownership.

"The professor spends hours, day and night, just wandering round British cities looking at buildings," Prof Bocharov's interpreter confessed yesterday. The two had just boarded the 9.52pm train from Euston to Milton Keynes, the latest destination of Prof Bocharov's unpublicised whistle-stop tour of Britain.

Prof Bocharov, who says he has been involved in the design and building of two new towns, is here officially to learn about how the concepts of home ownership and what he sees as inspired urban planning can be applied in the Soviet Union of glasnost and perestroika. His 17-day tour of the UK is due to end next week.

In an article published recently in a learned Soviet academic journal, Prof Bocharov lashed out at the

mistakes of the Soviet system he helped to create.

"Hundreds of featureless, standard towns devoid of a national individuality were built."

It was a period of flourishing functionalism which was closed off to asceticism," he wrote in the article, entitled *The Metamorphosis of Architect-Developer Relationship in the Soviet Union (1918-1988)*.

Yet some of the lessons Prof Bocharov appears to be drawing from his British experience appear to be idiosyncratic.

In an interview over a cup of British Rail tea, Prof Bocharov waxed lyrical about everything from a London office development to the urban landscape of West Belfast - where last week he was taken on a tour of 20ft walls and steel fencing.

Prince Charles, he said, was an "expert of architecture," but was wrong about Paternoster Square, the London office development. Prince Charles described it as an architectural carbuncle.

In Prof Bocharov's opinion, the sprawling development obscuring St Paul's was an example of the "inventiveness" of British architects.

As for Northern Ireland, "In Belfast I have seen our future. We have to plan accordingly, think ahead," the professor declared, as we swept past Watford Junction.

With the aid of an incomprehensible map of arrows, circles and dots, Prof Bocharov tried to explain the complex break-up of the Soviet empire into religious and ethnic-based nationalities and its traumatic effect on the architect-developer relationship.

"We should find a better solution than building walls between ethnic communities... in the Soviet Union it would not be practical because there are lots of different nationalities living in high-rise blocks," he said.

"You have to settle people, build special houses for particular ethnic groups... separate communities not with walls but with houses."

Once in Milton Keynes, Prof Bocharov stood gazing for several minutes at a large construction of blue glass. Commenting on President Gorbachev's chances of survival, the Professor mused: "The situation is extremely dangerous... but don't publish whether I'm still a communist or not."



Stopover: Prof Bocharov at Milton Keynes looking for an antidote to Soviet "featureless, standard towns"

Retail venture group to open second fund

By Maggie Urry

PIPER TRUST, a venture capital and retail fund group, is to launch its second fund to invest in new or developing retail and leisure companies.

The fund's managers admit that retailing may not seem the most attractive area in which to set up businesses at the moment, and say the fund is at "the top end of the risk scale."

However, Mr Crispin Tweddell, who heads Piper Trust, believes there will be scope for new businesses in the 1990s.

Piper's first fund, called the Piper-Retail Fund, opened nearly two years ago. It is now nearing full commitment with its initial funds of £7m. About a third has been invested in six companies, with further funds earmarked for them, and another three or four investments are close to being made.

Investors in the fund include leading insurance companies and pension funds. Similar

backers are to be approached for money for the second fund.

The second fund is planned to raise and invest £25m, but with about the same number of investments, adjusting the scale of each one more closely with the work that Piper puts into them.

Of the first six investments made by the original fund, two were start-ups, two were companies in the early stages of development, and two were established businesses. All six are still active, although one will probably not receive any further funding from Piper.

Mr Christopher Curry, Piper's fund manager, says the group is unusual, if not unique, in the way it approaches its investments. Piper takes a more active role than most venture capitalists, taking equity stakes, which vary between 20 and 80 per cent, and insisting on a board seat.

Biotechnology perceived as a risky investment

By Peter Marsh

UNHAPPINESS in the financial community about the degree of risks and profits in the science of biotechnology is disclosed in a survey that probes the attitudes of UK investment groups to the discipline.

Of the 51 financial organisations that took part in the survey, 46 per cent said they found investing in biotechnology "very risky." Just under half said they had made profits from the business.

The survey was conducted by Mr Pierre Forster, a student at Middlesex Polytechnic in London who is studying for a degree in European Business Administration.

The poll showed that some specialist biotechnology venture-capital groups were happy with their financial returns and also with the general outlook in this field. But a larger number of more broadly based financial institutions had been disenchanted with their

involvement with the technology.

Biotechnology is based on manipulation of genetic fragments. Since the techniques were discovered in the late 1970s, progress in bringing the ideas to the product stage has been slower than expected. Only about 1 per cent of the \$140bn (\$27.5bn) worth of pharmaceuticals sold each year is derived from biotech methods.

According to the survey, many financial groups are far from convinced that small, venture-capital-backed biotechnology companies can compete in the technology with large, established medicines and chemicals companies. Many of the latter have put considerable resources into research in the field over the past decade.

Nearly 30 per cent of the institutions in the survey said they agreed with the statement that biotechnology was best left to the multinational chemical and drug companies.

Glasgow University seeks £50m in private funding

By John Authers

GLASGOW University has launched an appeal for private funds aimed at raising £50m over the next five years.

The university is seeking money from graduates as well as from commerce, and has organised fund-raising bodies in Japan and the US. So far this year, £4.25m has been raised, including a grant of £450,000 to the urban studies department from the Ian Macdonald Trust.

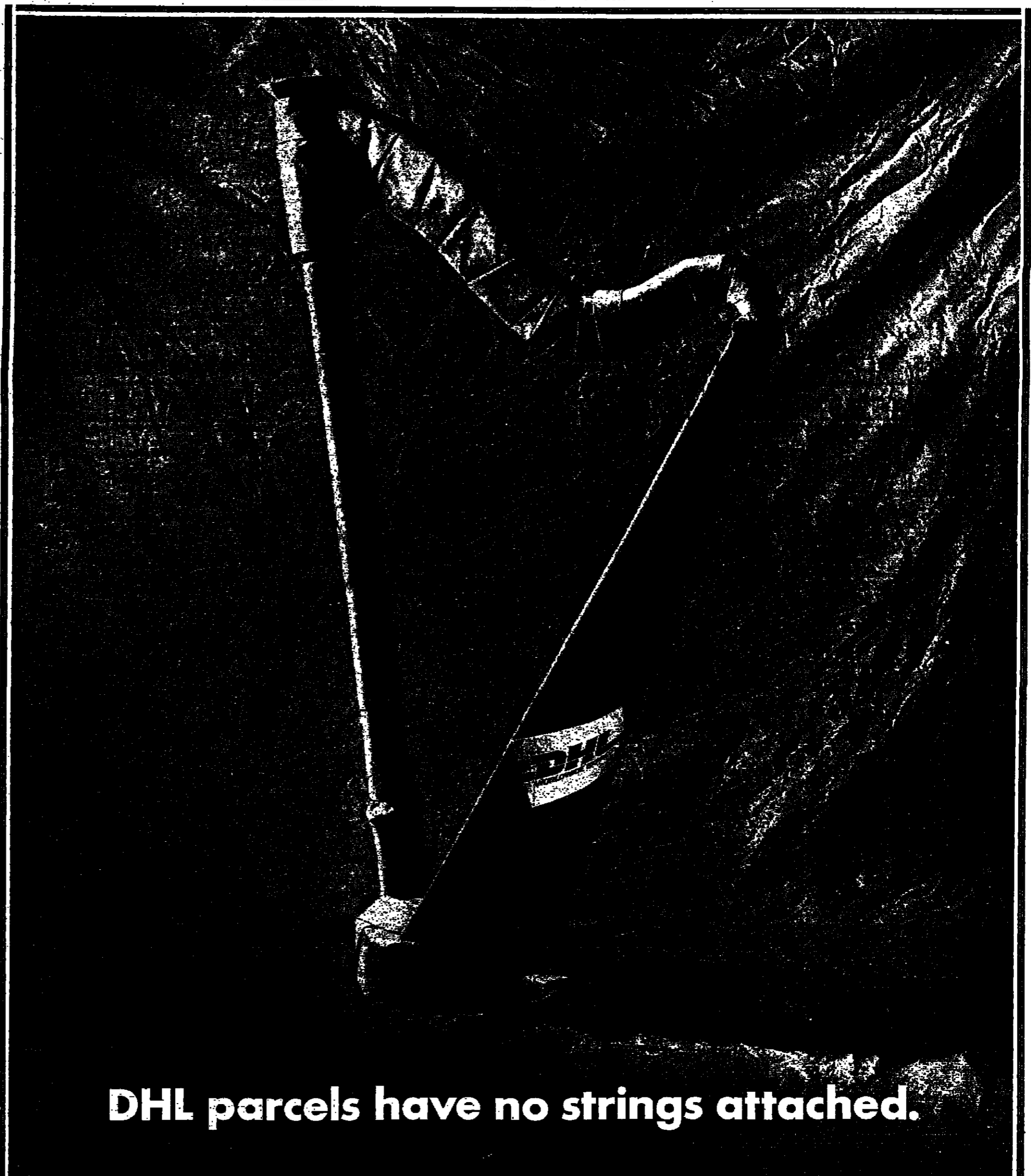
Sir William Fraser, principal of the university, said the money would be spent on new buildings and on investigating new fields of study. "We need to set aside more of our income to maintain and improve the fabric of the university," Sir William said. Appeal funds were not intended as an alternative to government grants, but as an addition.

Sir Alexander Cairncross,

chancellor of the university, said: "The Government has decided that universities should have fewer decisions taken for them by the Government. This means less money flowing in from the Exchequer. It can mean new autonomy."

This is one of the most ambitious appeals yet announced by a British university. Oxford started its appeal for £300m in 1988, amid significant protest from students, and Edinburgh has appealed successfully to its graduates. Glasgow also cited the universities of St Andrews and Bangor for carrying out successful fund-raising schemes.

The National Union of Students said: "We understand at times why colleges do it, but we do not think this is the answer. We would want long-term action from government funding."



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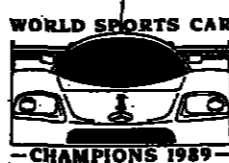
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Further to the decision of the Board of Directors of the Company to change the registered office of the Company, Shareholders of the Funds designated "International Income and Growth Fund", "UK Growth Fund", "American Growth Fund", "European Growth Fund", "Japanese Growth Fund" and "Pacific Basin Growth Fund" may under their share certificates for stamping, to the counters of BANQUE INTERNATIONALE A LUXEMBOURG, 2, Boulevard Royal, Luxembourg, during a period from 2nd April to 2nd May, 1990.

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The Prospectus of the Company is available at the registered office of the Company.

The Board of Directors

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At the Annual Shareholders' Meeting of the Company held at the registered office, 24 Boulevard Royal, on the 19th of March 1990, it was decided that the dividend will be:

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By order of the Board
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The Fiscal Agent
Banque Nationale de Paris
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THE FISCAL AGENT
BANQUE NATIONALE DE PARIS
(Luxembourg) S.A.

UK NEWS

Competition rule for power privatisation 'breached'

By David Thomas, Resources Editor, in London

THE BRITISH Government has been warned that one of the main limits to competition built into the liberalised UK electricity market has been breached a week before the market is due to come into operation.

The warning is likely to embarrass the Government because it will be seen as confirming fears that ministers have failed to make the new electricity regime sufficiently competitive.

The regime is due to begin operating on Saturday, the industry's "vesting day," when the companies heading for privatisation come into formal existence.

National Power, one of the two generators in England and Wales to be sold, has in the past month won contracts to supply more than 7 per cent of the total electricity demand in the region serviced by Manweb, the area electricity company which covers Merseyside, Cheshire and north Wales.

The regulations governing the liberalised electricity market stipulate that neither National Power nor PowerGen must sign supply contracts for more than 7 per cent of demand in an area without the consent of Professor Stephen Littlechild, director general of the Office of Electricity Regulation (Ofreg), the industry regulator.

In addition, National and PowerGen must not jointly capture more than 15 per cent of an area company's supply.

These limits on competition, intended to protect the markets of the area supply companies, are designed to last until 1994. However, the limits have been widely criticised for being too restrictive and for favouring the area supply companies.

National Power, which has been more aggressive than PowerGen in signing supply contracts in the run up to vesting day, reached the 7 per cent limit by winning the business

of a handful of Manweb's very large industrial customers.

Some other large industrial users of electricity in the north-west and north Wales are angry that they could face a restricted choice of electricity suppliers for the next four years.

The Department of Energy, the architect of the new structure, said it had no responsibility for the problem. It was a matter for Prof Littlechild.

However, the Office of Electricity Regulation, which does not assume its full powers until vesting day, was also unable to say how it would resolve the matter.

The Government is planning to confirm today that the old headquarters of the Central Electricity Generating Board and Bankside power station, two sites in central London with development potential, will remain in the public sector as properties of Nuclear Electric.

Campaign for right to halt work over safety

By Diane Summers,
Labour Staff

THE GMB general union today launched a campaign for a change in the law to allow union officials the right to bring work to a halt where they consider there is a risk of serious injury.

The union wants to see the legal position changed so that a walkout ordered by accredited union safety officers would not be seen under employment law as "wildcat" action.

Failing a change in the law, the GMB is trying to get agreements between employers and unions at local level and claims that a "stop-the-job" clause has been agreed by one West Midlands company.

The union's 850,000 members will also be encouraged to write to their MPs on the issue.

Mr John Edmonds, general secretary, said that the demand would only inconvenience negligent employers.

He said: "The only way to get management to act is to give their employees extra legal powers."

"In countries where these powers exist they do not have to be used very often. In Sweden there are over 117,000 safety representatives - they stop the job as few as 64 times a year."

According to the GMB, figures showed that every week 10 people were killed in accidents at work, 3,000 were injured, 650 of them seriously, and 500 were harmed by exposure to dangerous substances.

It also says seven out of eight accidents could have been prevented, while the number of factory inspectors had been cut by more than 200 in the last decade.

The Health and Safety Executive said yesterday that it was difficult to tell where the issue stopped being safety law and became an employment issue - and therefore outside the executive's remit.

Walkouts should not be necessary where workplace safety committees were functioning properly though, with declining union membership, fewer workers were getting access to safety committees, it said.

Komatsu concedes two hour reduction in working week

By Michael Smith, Labour Correspondent

KOMATSU, the construction machinery company, has become the first Japanese company to concede a two-hour reduction in the working week for UK employees since British unions launched a national strikes campaign for shorter hours last October.

The commitment to introduce the cut by 1992 is part of a deal which increases the pay of about 400 employees in Newcastle-Upon-Tyne by 9 per cent.

Komatsu's hours concession is a considerable achievement for the AEU engineering union which negotiated it. It is likely to influence other Japanese companies with UK operations - there are 36 in the north-east of England alone.

Japanese groups are potentially among the most difficult employers to convince that working hours can be reduced at no cost.

Nearly all have already introduced the kind of working practices which UK employers

are seeking in exchange for hours cuts.

Many of them plan progressively reducing their production costs as a matter of course. Komatsu looks for a reduction of at least 5 per cent a year.

The company believes the hours cuts can be self-financing. It says savings can come from accelerating improvements in production techniques. One option is introducing a nine-day fortnight when the two-hour reduction is in place.

The agreement, revealed in a forthcoming report by Incomes Data Services, will mean a half-hour reduction from July 1. The detail and timing of the other hour-and-a-half will be jointly agreed between Komatsu, the AEU and elected workforce representatives through the company advisory council.

For most of the employees, the hours cuts, when fully

implemented, will mean a 37-hour week. However, for about 130 workers who now work a basic 37-and-a-half-hours on shifts, the week will fall to 35-and-a-half hours.

Komatsu is one of less than 100 companies to have conceded hours cuts since the strikes campaign began. The rate of change is increasing, however.

The company said the 9 per cent pay settlement was prompted in part by recruitment and retention considerations. "We are beginning to suffer skills shortages, particularly in design engineers."

The deal, effective from the beginning of this month, increases the basic starting pay for most employees from £9,147 a year to £10,070. Supervisors' salaries will rise from £13,274 to £13,878.

The agreement also allows for a one day increase in the 25 day a year holiday entitlement.

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MANAGEMENT: Re-shaping BP

Re-appraising the power base of regional barons

Christopher Lorenz continues his series by examining how the oil giant is trying to find a new balance in its international activities

"IT USED to be infuriating to deal with BP Germany," says Ray Knowland. "The head of Deutsche BP treated the chairman of the whole of BP as an equal, and the heads of the group's international businesses as his juniors."

With BP's carefully engineered shift in power away from national barons towards international "business streams" (divisions) over the past nine years, "that's virtually all changed," says Knowland. With one major exception.

"There's still a powerful baron in the United States," he declares. "It's a much bigger problem than Germany ever was. The first test of Project 1990 is whether BP America is faced up to or not. I will be very surprised if it's not dealt with fairly and squarely. If you sort out Cleveland, the rest will follow; you'll be hitting the bullet about duplicated planners and a lot of other things."

It is November 1989, and Knowland, the then chief executive of BP Chemicals, is discussing his view of the objectives and progress of Project 1990 - BP's nine-month preparation for corporate simplification and restructuring which is the subject of this series.

In particular, Knowland is offering his view of why relations between his business stream and BP America are being described as "poisonous" by some insiders, and as either "difficult" or "strained" by everyone else. (Knowland has since moved into a new post as managing director for corporate affairs.)

As has become evident from last Monday's announcement of radical changes in the way the BP group will operate in future, Knowland - along with hundreds of other managers in BP - has got his way, to a large extent, at least.

In the official language of last week's press release, the regional dimension of BP's previous structure has been "redefined". What that actually means in America, as the company's managers have been told in no uncertain terms, is this: BP's imposing tower block in the centre of Cleveland, which, until three years ago, was the proud head office of Standard Oil (Sohio), acquired by BP in mid-1987, has now been deprived of its previous responsibilities for the operations of BP's various businesses within the US.

Instead, the US business chiefs who are based at Cleveland now report on operational matters direct to their respective international business

heads in Europe. The chief executive of BP America remains the group's most senior person in the United States, but his role has been shifted clearly to strategic and representational questions.

Until now his powers, and those of his staff, overlapped with those of the international headquarters of the various businesses - to the confusion and annoyance of everyone concerned.

Along with a lot of other welcome simplification, says John McDonald, ex-Sohio and now executive vice-president of BP Oil in America, last week's changes mean that "managers will now no longer be faced with a duplicated approvals procedure for capital projects - through BP America as well as up the international business hierarchy."

One result of the moves is that the 250 corporate jobs which still exist in Cleveland will be cut by 50 before the end of this year, initially by the removal of the planning and control departments, and then by a shift of human resources jobs from head office to the businesses.

The changes to the regional dimension of BP's worldwide structure also involve the stripping-back of a raft of regional co-ordinators in London. For the US, they have already been removed. For most other parts of the world they are being replaced by much smaller units which will provide support to the regional business heads.

The co-ordinators previously formed a head office layer which was a large element in the bureaucracy and "second-guessing" which has bedevilled BP in recent years - although they played a vital part in the professionalisation of the group in the early 1980s (see earlier articles in this series).

In one sense, the downgrading of Cleveland's head office role is merely the final stage in BP's integration of Sohio following the 1987 acquisition. The emotions generated by the downgrading partly explain why the decision was so hard-fought behind the scenes last autumn, although

many Americans in Cleveland have since expressed their relief that the issue has at least been settled clearly one way or the other.

Many Americans would have preferred the chief executive of BP America to have been given clear operational authority over the businesses operating in "his" territory, but "they'd rather have one master than two," says Michael Press, an ex-Sohio man who is now senior vice-president for petroleum products and refining for BP Oil in Cleveland.

The change in Cleveland's responsibilities is also part of a much broader settlement of a problem which, in the words of a secret Project 1990 document sent to top management last December, BP has "never been able to solve satisfactorily": the integration of the regional dimension into a corporation run largely on business (divisional) lines.

BP's imposing tower block in the centre of Cleveland, once the proud head office of Standard Oil, has been deprived of its former responsibilities for the operations of BP's various businesses within the US

This same dilemma has faced countless other multinationals over the past decade. "Regional-business relationships are probably the most difficult problem for any global company," says Robert Horton, BP's new chairman.

As part of most multinational's quest for simpler organisational structures, for faster decision-making, and for altogether greater global effectiveness, they have engineered a sharp shift of power within their geographic-divisional matrix structures towards their divisions; notable examples include GE of America and Philips, the Dutch electronics multinational.

One of the few exceptions is BP's arch rival Shell, which has left very considerable operating power in the hands of its national and regional bosses.

Like BP under Horton, many multinationals have now virtu-

ally banned the use of the word "matrix", because the rigid formality, with which matrices have usually been associated has turned the term into a pejorative which actually sparks internal tension and argument.

Steve Ahearne, BP's former corporate planning manager - and from this month chief financial officer - attacks the whole concept of "managing a matrix" as a "power" term, which has caused BP's individual businesses "to see their relations with the centre as a power struggle."

James Ross, the (British) chief executive of BP America, agrees. "One of the mistakes BP has made in the past is that we've been much too explicit about our agonised matrix," he says.

Yet if multinationals are to avoid a loss of responsiveness to differing market and political conditions in various geo-

last month's California oil spill, but also retains an umbrella role over the pay and incentive packages offered by the businesses.

To some extent the same will eventually apply to BP's newly-created Director, Europe, who is taking up residence in Brussels with a small support team (removed from London) to start the task of pulling together a cross-business approach to European strategic and political issues. Something similar, again, will go for the top executive who will probably soon set up shop in Tokyo as director of a new Pacific region - where BP needs to move especially fast if it is to build a strong asset base.

The question of how, in the US, the new relationships will all work in practice was thrashed out in principle at a meeting in January between James Ross and the heads of key businesses - both from UK international headquarters and from their US offshoots.

On personnel issues, for example - such as remuneration, severance terms, and management development - it was agreed that the businesses would in future propose their own packages, and that BP America's role would be confined to ensuring that decisions taken by one business do not undermine another.

The meeting was considered a success by all the participants, although one of them, John McDonald of BP Oil in the US, says in retrospect that "I still have some trouble seeing the American chief executive's position as quite powerful enough to carry out his role."

Will James Ross be able to ensure, for instance, that BP only uses tankers with double bottoms and sides? Will he be able, as McDonald puts it, "to referee" issues between different businesses as well as he used to?

Ross himself is more optimistic. As he sees it, one of his main challenges under the new system will be to sort out such conflicts himself, "rather than delegating them downwards as we used to."

And Horton himself has no



James Ross: still the group's top man in the US

doubt whatever about Ross's power base in his new role as the chairman's "alter ego." He says the issue of double-bottomed tankers - as well as such matters as tanker-loading facilities in Valdez and other ports - "is something that the BP America chief executive should lead on, since it transcends one business stream."

However simply their new role as Horton's "alter egos" in their territories may be expressed on paper, BP's regional heads will in practice find it a difficult exercise in corporate and personal subtlety.

Horton considers "that a lot can be done by getting personal relationships right." The question (to be examined on Friday in the conclusion to this series) is whether BP can generate the culture changes needed to allow such complex power-sharing to operate harmoniously.

Relations between the regions on the one hand and businesses and group head office on the other will also be improved if BP can transform itself into a true "transnational", like Unilever or Procter & Gamble, in which power and responsibility is shared, on

an increasingly flexible basis, across its international operations, rather than concentrated either at head office and/or in the group's home country.

Horton has been quick to espouse the term "transnational", but as yet BP is still mainly a UK-centric corporation. The cause of transnationalism will be improved by the decision to make the head of Deutsche BP, Rolf Stomberg, chief executive of the newly-created single European organisation for BP Oil (which includes the UK).

At a lower level, a decision has also just been made to appoint as head of group training an executive based in Cleveland, and not to move her to head office.

Other Americans appointed to senior BP corporate functions in the last few years - notably the group's treasurer, its controller, and its head of human resources - have all been imported to London. But true transnationalism will not have arrived either until many more group functions are dispersed abroad, or until the headquarters of at least one of BP's major businesses is located outside the UK. So far, the only business in this position is the junior of the four: nutrition, which is based in Belgium.

Horton recognises the problem, and says that it would have been sensible to base BP Minerals in the US if it had not been divested. But he says he cannot see any advantage, for instance, in shifting the head office of BP Oil to America.

"It's better to say that we are a transnational which happens to have its head office in London," he argues, "and that we intend to ensure that non-Brits can get to the top of the businesses. One of them will get to be a business chief executive." He is certain.

Horton's reluctance to countenance the decentralisation of group-wide head office functions is based partly on his wish to reassert BP's cross-business strengths as a corporation, after a decade of increasingly centrifugal behaviour by the businesses. But it is also caused by his "wait and see" attitude to whether they can develop the same non-hierarchical, informal, "networked" way of working which BP's London headquarters is now setting out to develop.

Unless all parties can do so, including the group's regional offshoots, BP will risk slipping back into the formal, over-controlled state - and stasis - of the last few years.

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FINANCIAL TIMES SURVEY



The regional capital of an agricultural hinterland, Ipswich has developed into a centre for insurance

companies. Eleven miles down the River Orwell, Felixstowe is now an international port. And there are ambitious plans for Ipswich and its docks, reports Stewart Dalby

New life for old sea-dogs

"Ipswich is situated at a point which could not help but be the site of an important settlement in very early times as of the present day. The River Orwell, which leads up to it, is the one easily navigable river in Suffolk; ships can enter or leave at any state of the tide."

THE TOWN may once have been an important sea capital. By the time these words appeared in 1970, in John Seymour's Companion Guide to East Anglia, however, Ipswich was, like Norwich, a sleepy backwater stuck out on a knuckle of land seemingly on the way to nowhere.

It was the centre for a rich rural hinterland and in its manufacturing sector there was an emphasis on agricultural engineering.

The revitalisation of Ipswich to its current lively state stemmed from the improvement in land - rail and road - communications, rather than the sea.

When the industrial shake-out of 1975-81 came along some companies went out of business or were taken over. Ransomes and Rapier, an engineering firm, was acquired by Mr Robert Maxwell's Pergamon Group, although after various counter-

actions including a management buy out a smaller group has re-emerged in Ipswich in the form of NUK Cranes.

Others, like Ransomes Sims and Jeffries, survived by radically transforming themselves.

Ten years ago, the company employed 2,700 in a fully vertically integrated operation making, among other things, fork-lift trucks. Now, Ransomes concentrates on grass cutting machinery and employs 750 people in Ipswich and 400 in Plymouth and a similar overall total in the US.

Unemployment in the early 1980s shot up to 11 per cent in Ipswich and could have reached the total of over 20 per cent in northern industrial towns were it not for the working port and the fact that by this time Ipswich with its improving communications had been discovered by service companies as a relocation centre.

Guardian Royal Exchange moved to Ipswich in 1989 and now employs 1,250. General Accident was already in the town. Willis Faber arrived in the mid-1970s and now has its main out-of-town office in Ipswich, employing 1,900. Also in the mid-1970s British Telecom

transferred its research and technology division from London to Martlesham Heath, a few miles outside Ipswich, and currently employs thousands.

Some of the companies went to Ipswich because the council even then could see the need to widen the employment base. It offered cheap rents for city centre sites.

But virtually all the companies cited the proximity to London (with the A12 being improved) together with the availability of labour, which was cheaper than in London, and reasonable house prices.

Ipswich is 65 miles from London. The fast trains, with luck, take one hour and a quarter, and with the Chelmsford bypass completed a few years back, London is no more than two hours away by road.

The local authorities no longer offer cheap rates and similar incentives. But unlike other towns which were early into the relocation stakes, Ipswich still has unoccupied land. The borough council's 150-acre Whitehouse Estate is now virtually full. But the council is developing a business park at

Sprites Lane on the western and southern by-passes of the town opposite the newish Post House Hotel. Some 6.5 acres are available now and the council hopes to bring the total development to 20 acres.

Ransomes has its 250-acre Ransomes Park which it is developing as an industrial/business estate. Clients already include Electrolux, the Post Office and British Telecom. There are plans for a 60-bed hotel and a 5.3-acre car retail centre.

Besides the business parks, there is potential for office development in and around the docks as well as other city centre sites and there is also the 400-acre airport, currently owned by the council. Almost everyone feels there is a need for a proper airport somewhere near Ipswich, but not at the current site. The grass airfield is too hemmed in by other developments.

Despite the slowdown in the economy, demand for industrial and business sites still appears strong. Mr David Payne, the council's economic development officer, says he

was very surprised at the response to Sprites Lane when it was put on offer. Initially, there were 400 inquiries. Of these, about 30 companies were seriously interested. Virtually all the 6.5 acres available have been snapped up. At £16 per sq ft for B1 office or light industrial space, Ipswich is still competitive compared to other south-east England locations.

Into these sites and elsewhere the council and Ransomes will encourage high technology companies to move. But there is a feeling that Ipswich has gone from unhealthy reliance on agricultural engineering to overdependence on insurance companies. This sector could suffer from international rationalisation when the internal market gets under way in Europe in the 1990s.

There is, in any event, a cost involved in rapidly turning into a white-collar town. Property prices in the boom which ended in 1988 rose faster than in almost any other area of Britain. They did not quite overtake the south-east in absolute terms, but housing is no longer cheap, and of course

virtually no-one is building new housing at the moment.

The population of Ipswich proper is steady at 122,000 but the travel to work area - the outlying villages, within a 25-mile radius has grown rapidly and is now put at 270,000.

Unemployment among the 66,000 workforce is down to 2.9 per cent which, for all intents and purposes, is full employment. There may be scope for more married women to take jobs and there are some commuters. How many is difficult to tell because British Rail either does not have the information or will not divulge how many season tickets it sells.

Companies say they are not yet experiencing the difficulties in finding staff that are beginning to surface elsewhere. But Ipswich has probably reached the point where it must think about the nature and the pace of new business development.

As with other so-called boom towns - Reading, Cambridge or Bristol - most of the population has become better off in the past 20 years, but this has served to accentuate the differ-

The service sector: insurers feel at home in pleasant surroundings
Manufacturing: it's not quite an industrial heartland2
EC market: "all right on the night"
Ipswich port: short-haul dynamism

MAAP3
Dock development: pause on the quays
Quality of life: poll tax problem
Felixstowe: chill wind of competition4

ences with the small but growing underclass.

Ipswich has 6,000 families on the waiting list for new homes. This does not mean that they are literally on the streets, but they live in inadequate or shared accommodation. This is a high number for a town supposed to have become part of the affluent south-east. There is an above-average number of unmarried mothers and single parent families. This could have something to do with the US air bases which are nearby.

There are, most worrying of all, more than 370 families who are actually homeless and need to be housed by the local authority. That is, *pro rata*, far higher than the UK national average.

Mr Jim Hehir, the dynamic chief executive of Ipswich Borough Council is acutely aware of these social problems. He says the council has started to take properties on long leases so that it can house the homeless and save the indignity of living in bed and breakfast accommodation.

As he struggles to justify a poll tax for Suffolk County Council which at £440 is much higher than predicted, he feels that cheap housing has been a major casualty of the determination of Mrs Thatcher, the UK Prime Minister, to curb the powers of local government.

Ipswich Council, which collects the poll tax for the county and spends 25 per cent of it, has a net "spend" which is 96 per cent higher than the Government's standard spending assessment.

Mr Hehir says: "The Government takes no account of the fact that we are a regional capital and spend money on regional facilities."

On the question of low cost housing he feels the council's hands are tied. The Government will not let it build new cheap homes off its own bat. The council tries to include some social or low cost housing in any developments. But given the cost of land in flourishing towns, it is hard to get the necessary numbers built.

Mr Hehir feels that housing associations have not found the answer to housing problems and this will remain an unresolved issue for the foreseeable future.

Another of the costs of development is the actual look of the town. In his book Mr Seymour says:

"Ipswich is a town of great antiquity and historic interest, but alas, practically nothing remains to show for either. The Ipswichians seem to have made a decision in the past, and to have kept to it most assiduously, to erase every building of antique beauty and interest and to turn Ipswich into, at every succeeding period a 'modern' town."

Ransomes, he was writing this 20 years ago, before much of the development took place. Even so, it seems a bit harsh. It is true that Ipswich is not as pretty or well-preserved as either Norwich or King's Lynn, both towns about which Mr Seymour waxes lyrical.

But it does have its moments. There are 12 medieval structures and 600 other listed buildings. Walking around Ipswich, one comes across many nooks and crannies. Part of the docks have been made attractive, and if plans go forward to develop the wet dock further it could become one of the most exciting leisure shopping complexes in the country.

Above all, Ipswich has managed to avoid the car congestion and pollution found in Reading, Cambridge and Bristol. Lorries thundering down to Felixstowe go along the A45 over the Orwell bridge, missing the town.

Ipswich is not off the beaten track like Norwich and King's Lynn. The next decade could easily see it become the undisputed regional capital of East Anglia rather than one of a number of claimants.

Such claims could be enhanced by Ipswich's proximity to Europe. Britain is becoming more European-minded with the internal market of 1992 looming up and the Channel Tunnel due to open in 1993, as well as the centre of gravity of Europe moving eastwards with the dramatic collapses of the old order communist regimes in the Soviet bloc.

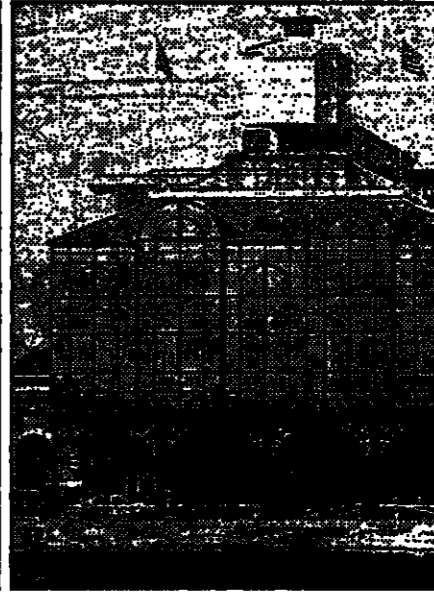
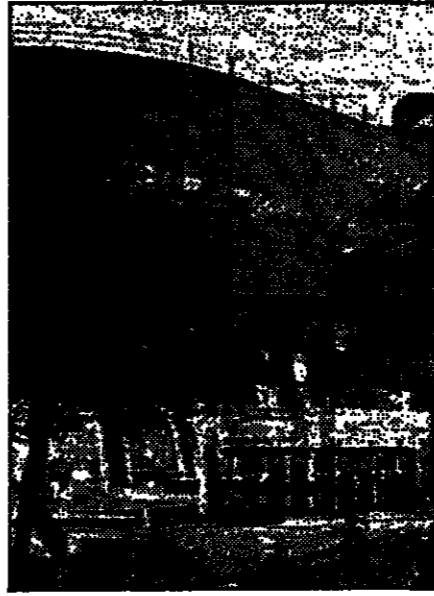
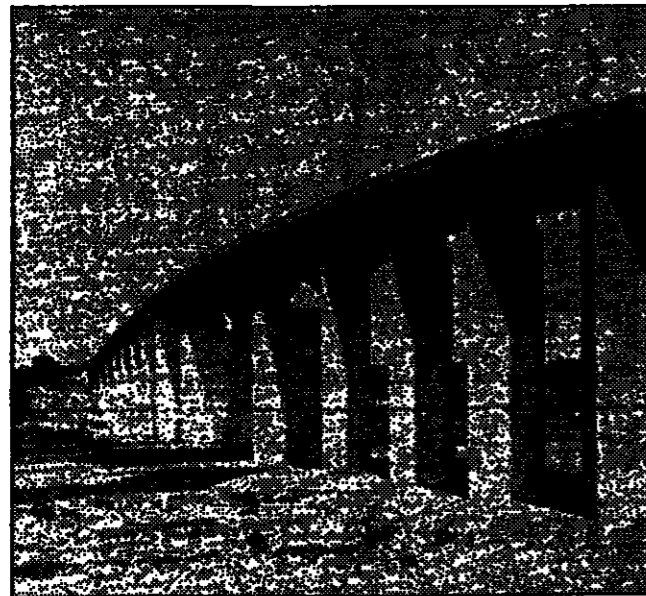
There has been a strategic switch of trade from the west coast of Britain to the east coast. Felixstowe has grown dramatically in recent years, and the smaller docks of Ipswich have also expanded. Both ports envisage further growth in the 1990s even with the Channel Tunnel open and running. Mr Seymour may well be right in saying Ipswich cannot fail because of its sea connections.



Ipswich Docks, photographed by Alan Harper (see story, page 4)

IPSWICH & FELIXSTOWE

IPSWICH



FACING UP TO THE FUTURE

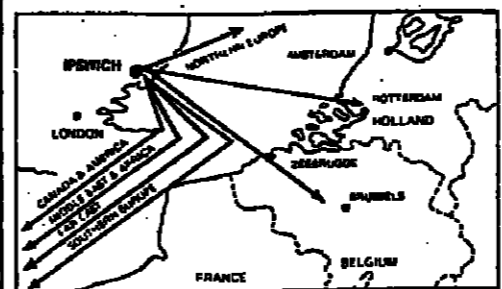
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leisure schemes saying "Ipswich could not be better placed in geographical terms to participate in 1992 and beyond and I think there has been the most exciting sense of vision by people in the town."

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IPSWICH 2

More than in most UK towns, services have grown in importance as manufacturing has declined, reports Gabriel Bowman

Insurers feel at home in pleasant surroundings



Willis Faber's award-winning transparent glass building in the centre of Ipswich

IPSWICH USED to be a commercial travellers' graveyard, recalls Mr M R Goodwin, administration manager of the General Accident office, a north-erner who has been in the town for 40 years. "But it's not so today."

Now General Accident rates its Ipswich office as ahead of Norwich and Colchester, and much more important than 10 years ago.

Demand for insurance - and consumer demand in general - has been spurred since the move in the mid-1970s of British Telecom's research and technology division from Dollis Hill, London, to Martlesham Heath, a few miles from Ipswich. That move or less coincided with the expansion of insurance groups in the town.

"The philosophy of the 1980s was to put things into a quiet environment," explains Mr Peter Button, BT's head of public relations. The site came into use in 1968 and was formally opened in 1975, since when it has doubled in size. At 100 acres, it is probably BT's biggest outside London (though Goochillie has a larger acreage). It employs 3,500, of whom 47 per cent are graduates, 15 per cent technical support staff, 20 per cent administrative and 3 per cent trainee technicians.

Average age of BT staff at Martlesham is a mere 31 and there is a 10 per cent annual turnover. About 40 apprentices are taken on there each year, though the proportion of Suffolk-born employees is still a low 15-20 per cent. "But the local born-content is growing higher and higher," says Mr Button.

BT also has a Felixstowe division which, unlike Martlesham, produces customer products, such as telephone apparatus. And not all of BT's technology staff are at Martlesham: there are smaller sites in London, Belfast, Glasgow and even in Ipswich itself.

In an area stretching from Southwold to Saxmundham, Mr Button estimates that BT puts £55m a year into the local economy, through rates, salaries and contracts. And, of BT's total £214m spending on R&D, about two-thirds goes to Martlesham.

There has been a switch in emphasis from fibre optics and hardware to software and programming over the years. The last couple of years has seen a blip in recruitment at Martlesham, but growth is expected to resume soon.

At Guardian Royal Exchange, another of the major insurance groups in the town, Mr E J Bose, administration manager, speaks of the "demographic time bomb we're all facing." He means that unemployment in the town is down to 3 per cent and the supply of school-leavers looking for insurance jobs is in danger of drying up.

"I remember," General Accident's Mr Goodwin says, "the year GRE started up in the town and we couldn't get a single school-leaver."

GRE relocated to Ipswich in 1968 as part of a national exercise and now employs 1,250 in the town (though its Lytham St Anne's, Lancs, plant is larger, employing around 2,000). The latter is the group's computer, accounts and life insurance processing centre, but Ipswich seems to be the headquar-

ters for much of the rest.

Underwriting, personal insurance, financial accounting, marine, private trust and the main personnel units are among 28 departments which are run from Ipswich, along with the group's local branch and claims department.

Why did the group come to Ipswich? GRE had looked at Bath and one or two other locations. Mr Bose points to the amenities in the locality and the big car park which the group provides. Ms Mary Williamson, personnel manager of Willis Faber, gives a panoply of reasons for this insurance broker's move to Ipswich in the mid-1970s.

Ipswich is Willis Faber's main out-of-town office, with 1,800 employees (more than the London office). She lists six key advantages:

- Ipswich is in the same direction as Southend.
 - East Anglia is a boom area.
 - The town is a good source of employees.
 - Most people have the right skills.
 - There are good communication links with London.
 - Property prices are reasonable.
- Also, because one can find pleasant surroundings in the area in which to live, it is easier to get staff than in some other parts of the country. And Willis Faber, as Ms Williamson asserts, is determined to be a forward-looking employer. Its strikingly transparent, award-winning building in the centre of town received the accolade of being featured on an Architecture of Europe stamp a couple of years ago.

Willis Faber took over much of the

Franciscan Way project for its HQ, replacing a failed council shopping development. Indeed, it has now taken over Franciscan House as a third group building in the town. "We're always bursting at the seams," says Ms Williamson.

Despite signs of an economic downturn, Willis Faber does not expect to lay any staff off. Nor do any of the other insurance groups. Instead, in its struggle to get staff, Willis Faber sees its main competitors as BT and GRE, together with Sun Alliance and Eastern Electricity.

BT and all the insurance groups emphasise their links with Suffolk College, which is also the town's insurance institute. GRE, for instance, has representatives on the college's board of governors and, through the college, its recruiters have connections with head teachers. It donated £50,000 to Ipswich Initiative, a scheme to bring technology into schools. Willis Faber and GRE are among the guiding lights of Disability Care Enterprises, a charity set up by local businesses to provide warder-type accommodation for the disabled.

The latter two projects are run in conjunction with the local council, with which the service groups appear, by and large, to have good relations. The facades of General Accident and Commercial Union, down the road in Crown Street, tone in well. "The town planning people even stipulate the kind of mortar we have to use in our bricks," says Mr Goodwin. It doesn't sound like a complaint. After 40 years, there is even a note of civic pride.

Plants flourish away from their roots

WITH HEADQUARTERS still in Ipswich, Fisons and Ransomes are - to the City, as to the man in the street - synonymous with the town. But in the 1980s, both moved away from their roots and flourish significantly elsewhere.

When Fisons sold its agrochemicals business soon after Mr J S Kerridge became chief executive in 1980, it had a market capitalisation of £50m. Now the figure is £2.3bn. "We're the fastest-growing business in East Anglia," says Dr Peter Woods, corporate affairs director. But most of that growth has been in health care, which is based in Lincolnshire (Santogen, anti-asthma drugs, etc) and in scientific equipment, based in Middlesex.

Of its total 10,000 employees, a mere 320 work in the town: some 90 at headquarters, 200 in the Bramford horticulture division and 30 in horticultural research at Levington. Dr Woods says the company's spectacular recovery in the past decade is due to concentrating on areas that are resilient to any economic downturn. That includes horticulture - a high-margin, non-cyclical business which, he claims, many of Fisons' competitors would like to buy. "We don't see ourselves diversifying in the near future," he insists.

In fact, profit margins in horticulture, which was hit in 1988 by the decline in North American pest prices, are similar to those in scientific equipment (marginally the biggest of the three divisions) but only about a third of those in pharmaceuticals. Or, to put it another way, horticulture in 1989 gave Fisons 3.85 per cent of its profit and comprised 8.2 per cent of its turnover.

At Ransomes, the retreat from Ipswich is less marked. In the past four years, the Ipswich workforce has halved to 750, while the company's worldwide total of employees has grown to 2,500. Mr Keith Wyatt, a director, says new technology and natural wastage are largely responsible for the local staff cuts, and stresses that he does not foresee any further reductions. The company now has four main divisions: commercial, consumer, North American and property. The last of these

is a local business park, whose other occupants include Electrolux, the Post Office and Lax Service Group. Ransomes has interests in France and Italy, as well as Berkshire-based subsidiary Mountfield and Westwood of Plymouth. Mr Wyatt did not seem fazed by the news that Mr Nicholas Ridley, Trade Secretary, has put a spoke in the wheel of Ransomes' acquisition of the latter company, a grass-cutting machinery manufacturer, by overruling the Office of Fair Trading and referring the deal to the Monopolies Commission.

The lion's share of Ransomes' grass-cutting business is sold to local authorities and golf courses, but some 55 per cent of Ipswich turnover finds its way abroad, to 84 countries. Established in 1986 as a joint 50-50 venture between British Telecom and Du Pont of the US ("BT had the technological expertise and Du Pont had the marketing expertise"), BT&D Technologies employs more than 300 at its plant just outside Ipswich. Its fibre-optic components are used in data and telecommunications and in instrumentation systems.

Last year's BT&D sales were 300 per cent up on the year before and this year's are expected to be 100 per cent above those of 1988. More than 80 per cent of the company's products are exported to Europe and the US.

Having started with 60 employees, the company doubled its workforce in 1988 and again, now part of the double work shifts were introduced. "The number of employees is set to continue to rise," it says. At the heavy manufacturing end, NCK, which makes crawler cranes and truck mixers, is also likely to take on more workers. But that would merely raise the number from 54 (including five in the West Country) to about 70 when its new workshop is completed in April.

A subsidiary of Cliff Holdings, the Rochester, Kent, construction company, NCK is the successor of Ransomes & Rapier, which broke away from the other Ransomes in 1969 to change in railway production and as recently as 1988 had more than 500 employees in the town. In another guise, it

was at one time part of Mr Robert Maxwell's engineering interests.

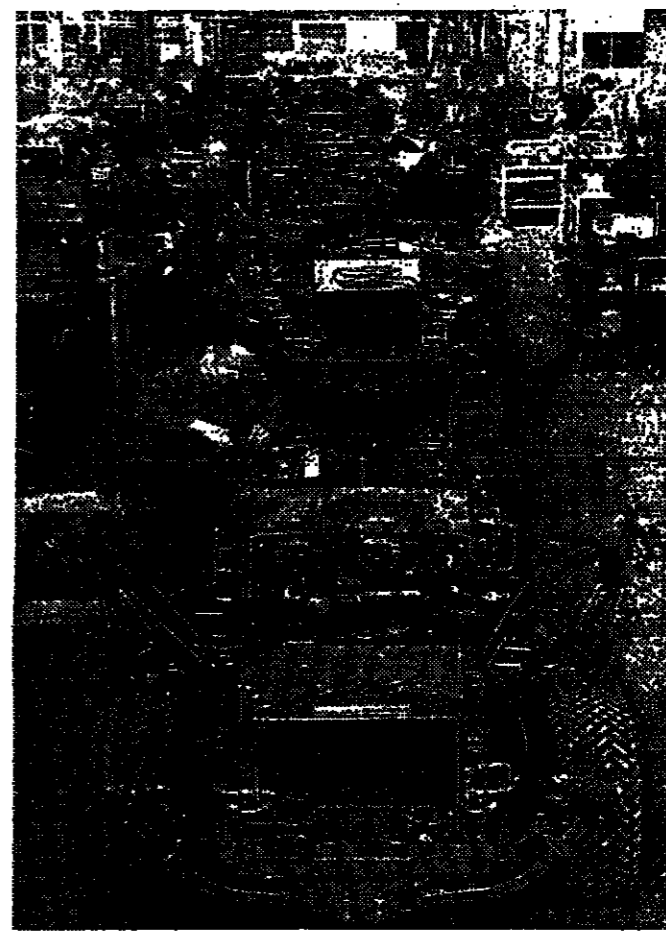
Also facing a change of ownership is Metier Management Systems, the software developer, which was founded in 1976 and taken over by Lockheed in 1988. But last April, the US aircraft manufacturer decided to divest. Why? "Because Lockheed is a \$100m company, of which software accounts for £10m, and Metier is just a £100m company. Nevertheless, we're excited about the potential and not worried about the future," says Mr David Dixon, a director.

He expects that Metier will eventually be taken over by another company. A management buyout was considered, but rejected as impractical.

Metier's research and development division is based in Ipswich (the sales division operates from Hayes, Middlesex) and a production site was acquired in the town last year. The company, which employs 160 in Ipswich out of a worldwide total of 700, does not expect to relocate when it is taken over and argues that, far from losing staff, its Artemis project management systems are likely to be in growing demand. It has an expanding list of Japanese clients and is also active in the US and Europe, with offices in 26 countries and installations in over 40.

There are, of course, other manufacturers, of one sort or another, in the Ipswich area. But, now part of Hanson and Crossfield, is not quite the animal feeds force it once was while John Player, part of a subsidiary of Hanson, was never primarily an Ipswich company.

Yet the manufacturing base has declined. One company director, unattributably, blamed the council, contrasting it unfavourably with the more commercially-minded Colchester and Peterborough. Thanks to the service groups, Ipswich unemployment is low but if companies had to stamp their town of origin on their goods, "Made in Ipswich" would be quite a rarity.



Ransomes' motor mowers designed for the Japanese market

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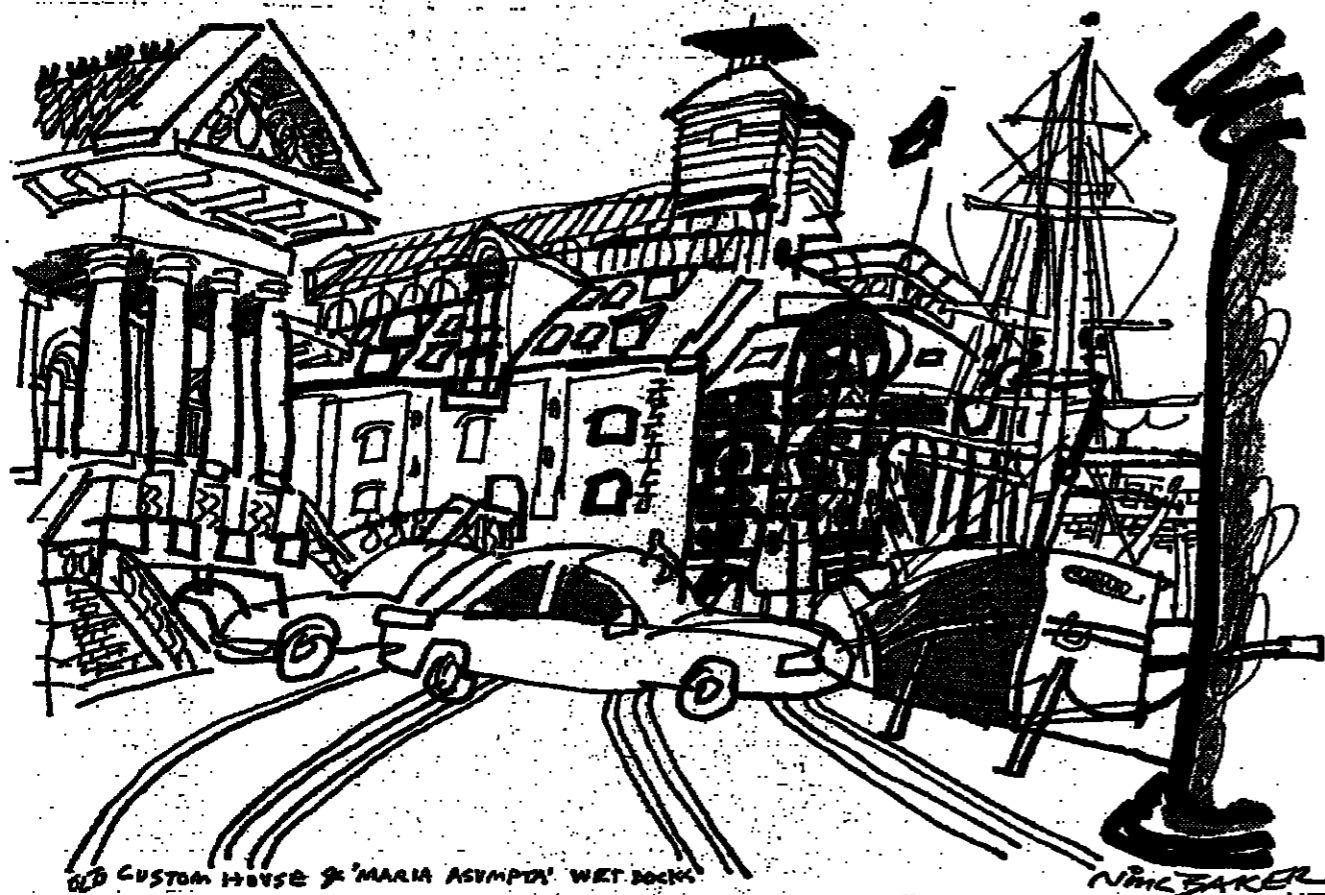
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Stewart Dalby looks at the UK's fourth largest container port

Dynamism of the short haul

SO PROMINENT has Felixstowe become that it is often overlooked that Ipswich has a port of its own.

A harbour of some kind has been in existence since Saxon times, but in the 1980s, Ipswich port has benefited, like other UK east coast outlets, from the strategic switching of trade from the Americas to Europe.

For the first time, in the year ending December 1989, Ipswich handled more than 5m tonnes in cargoes. The total freight handled, including containers, roll on/off vehicles and bulk solids and liquids, was 5.5m gross register tonnage compared with 4.5m in 1988.

Ipswich is now the fourth largest container port in the UK, after Felixstowe, London

and Southampton, with 1.5m tonnes traded in 1989 compared with 5m tonnes for Felixstowe.

Unlike Felixstowe, however, which goes in for long-haul traffic and tries to rival Rotterdam in transshipment business, Ipswich has concentrated on short-haul European business.

The port is now the largest in the UK for near-Europe containers, with 1,057m tonnes in 1989 compared with 1,008m tonnes for Ipswich and 911,000 tonnes for Hull.

Ipswich, in fact, is still the third largest port dealing with containers to and from North America although it is a long way behind Felixstowe and Liverpool. Ipswich traded 277,000 tonnes, compared with 2.5m for Felixstowe.

The near-Europe short-haul container business has been the most dynamic growth area for Ipswich, with the number of 20ft equivalent units (TEUs) more than doubling from 63,307 in 1980 to 199,775 TEUs in 1989. Ro-ro traffic has grown rapidly and in 1989 Ipswich was the ninth largest port in the UK with 1.2m tonnes in export trailer trade. Bulk liquids and solids have also increased although trade here is at a lower level. However, there has been an increasing amount of grain shipped through the special grain terminal to the Soviet Union.

The port today can be broken down into three distinct areas. The oldest part is the enclosed dock or the Wet Dock

as it is known. Here the authority has 900 metres of quays as well as 830 metres of private quays. This part accounts for only 2.5 per cent of the ports business, but remains a working part of the docks. The second area is the Cliff Quay with a quay length of almost a kilometre. This handles general cargo and container vessels, raw material imports and exports and petroleum imports to the tank farms at the north end of the quay. The third area is the West Quay including the East Terminal. The modern unit load carrier (ULC) containers and road trailers.

According to Mr Alan Hanson, commercial manager at the Ipswich Port Authority, the recent history of the port is one of solid growth up to the late 1980s, then a period in the doldrums, followed by dynamic growth in the 1990s.

Profits in 1988 were £607,000 before tax. This figure might not be much changed for 1989 since £1m was paid in redundancy with the ending of the national dock labour scheme. Unlike Felixstowe, Ipswich was a scheme port, although it was not noted in recent years for the militancy of its workers. Some 50 people took redundancy and the workforce is now down to 363. The port authority is responsible for navigation and conservancy on the River Orwell, so there is a wide variety of jobs. The enclosed dock needs continuous dredging.

However, the ending of the dock labour scheme should mean greater productivity since Ipswich had an unusual system whereby on-ship workers were part of the scheme and there was a separate workforce for onshore work.

There is now much more flexibility in working practices. The port authority has plans to expand the dockside activities. One area has been marked for development next to the East Terminal on the West Bank and another on Cliff Quay, where the power station was. Besides this, there are plans to develop port-related industry.

Also, there is suddenly a demand for port-related warehousing which did not exist during the national dock labour scheme when traders were frightened that goods would be locked into warehouses if there was a strike. Plans to develop this warehousing are still an early stage and may be taken together with other dock landowners. However, the port authority owns sufficient land to add further profitable activity to its bow and keep on growing.

Richard Gourlay on the likely impact of the EC single market

'It'll be all right on the night'

IPSWICH HAS long harboured the belief it is at the centre of a part of England more strongly tied to continental Europe than most other regions of the country. The single market of post-1992 Europe, the town's image makers would therefore have us believe, poses challenges that will be easy to meet as Ipswich will simply expand its historical role as the "gateway to northern Europe."

This rather comfortable view of the future, resulting perhaps from three years of strong economic growth, obscures a question that policy makers in many regional UK towns must be facing: do our rich and illustrious pasts and our historical links provide any pointers to what our role will be in the Europe of the future?

The Ipswich docks with Europe are indeed strong. Unhappily, one of the town's first experiences as a "gateway" was its repeated tramping under the feet of Viking raiders, culminating in King Canute's port of refuge after the invasion of England by the Orkney Vikings in the 11th century.

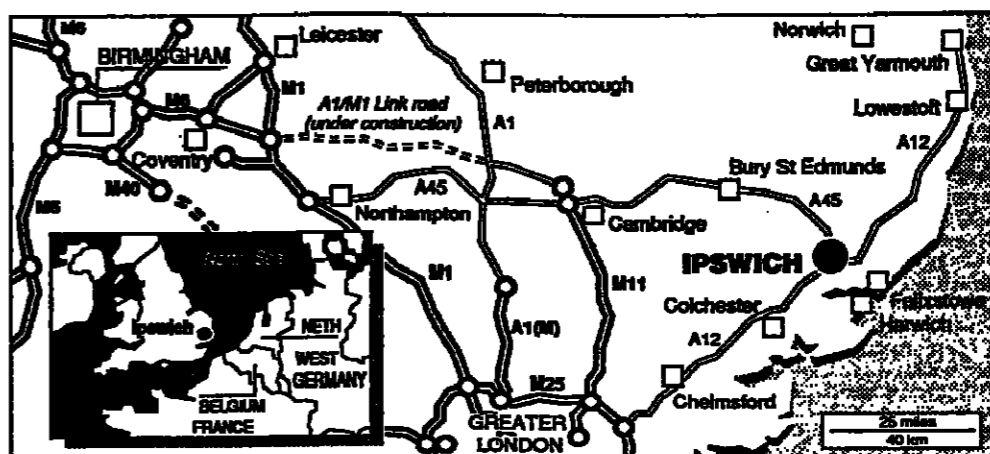
Later contacts with the Continent were more welcomed, leading to highly developed wine, cloth and wool trades and to the region playing a vital role in the agricultural revolution, helped by Turpin Townshend's introduction to East Anglia from the Netherlands of rotation farming.

With the decline in the region's fortunes economically, relative to the industrial heartlands of Europe and the UK, has come a decline politically. Indeed, internationally minded planners in Ipswich, like Mr James Hehir, the borough council chief executive, suffering from the strictures of the poll tax and increasing encroachments by central government into local finances, look longingly at the development of Europe along strong regional lines and at, albeit increasingly influential, administrative centres.

"Ipswich suffers, particularly in calculation of the poll tax, because central government does not recognise regional centres."

On one level, of course, Ipswich's business community and planners are unconcerned with the arrival of the single market. For four years at least the economy has been rapidly expanding, fuelled by better consumer confidence with London and the Midlands, relocation of service industries from the capital and proximity to some of the most unspoiled countryside and coast in the south of England. The town has enjoyed its share of East Anglia's net immigration - population has been growing faster in the area than anywhere else in Britain - with new jobs in places like BT and London Underground's research centres, the kind of planners would call "quality" employment.

And there is more prosperity on the way, assuming the near-absence of unemployment does not drive wages up and investment away. Neighbouring Felixstowe port, continued expansion of which will perhaps have as much influence on Ipswich's fortunes in post-1992 Europe as anything, is still growing. But planners have proposed that new housing stock should be built in Ipswich rather than further enlarging the Edwardian seaside resort. A high-tech business park is being set up on Ipswich outskirts and Civic Hall's corridors are abuzz with rumour of Sweden's Volvo moving a large back office



operation to the town.

Lurking in this otherwise bright horizon is one potential storm cloud. There is growing awareness about over-dependence on the service sector, a concern that again should be common to other towns that successfully attracted back-offices re-allocating from London. A report by Italian economist Paolo Cecchini, on the effect of post-1992 Europe on member states suggests there could be losses in financial services and that the UK would be hardest hit.

Ipswich, which has successfully attracted Guardian Royal Exchange, General Accident, Commercial Union and Sun Alliance regional headquarters, may be particularly vulnerable. But in the battle to attract large companies, towns tend to take what they can get.

In one area, new European opportunities have already arisen, most noticeably under the 1987 Single European Act provisions on competitive tendering for public procurement which started to affect local authorities last year. French contractors have been particularly active in tendering for local authority contracts in the UK and Ipswich has been no exception.

To meet the challenge, Ipswich borough reorganised its various works departments into profit centres which bid for work. Last year, the council beat off a challenge from Cory Onyx of Spain and Sitac of France to win its own five-year garbage collection contract - a victory that Mr Hehir says was crucial as once a garbage contract has changed hands it is unlikely to revert to the council. And as further evidence of competitive winds blowing from Europe, Ipswich is now bidding for, and winning, contracts for building control supervision in neighbouring boroughs.

However, to a great extent, Ipswich's recent economic success has happened despite Europe and not because of it. Mr James Miller, an Ipswich-based venture capitalist who sold his software company to Lockheed, suggests there is no special reason for being based there in terms of access to Europe. Environmentally, Ipswich is very pleasant but he could have set up anywhere. Indeed, should the airfield close in five years when the

council relinquishes control, he says he will move to more expensive Cambridge which has private air facilities.

This attitude tends to undermine the impression that Ipswich is still struggling to identify what its role will be in post-1992 Europe and how its planners and business community should be responding.

Certain measures have been taken. The Council's Employment Development Office, funded by the European Commission, is surveying 30 local small and medium-scale companies to estimate "the general level of preparedness for the single market"; a number of 1982 and year 2000 business committees have been set up

and the council is making a worthy attempt to move from symbolic twinning of towns in Europe and towards development of real business ties with places like Rotterdam.

But the overwhelming impression is of a well-intentioned lack of preparation, backed by an optimistic spirit of "it'll be all right on the night".

Ipswich is not alone in this for the simple reason that none of the regions can be clear how 1992 will affect them. It applies equally to the UK as a whole, given the shift of Europe's centre east, towards Brussels at the very least, if not further to the industrial heartland of an enlarged and increasingly dominant united Germany.

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IPSWICH 4

DOCK DEVELOPMENT

Pause on the quays

IPSWICH - which has had a port on the River Orwell since AD 43 and today is the biggest estuary port on the east coast between the Thames and Humber - has not escaped the attention of the developers. They have been beating a path to its door for 10 years, at least until the recent downturn in property values.

On paper, the prospects are mouth-watering. The inner dock is an area of about 70 acres. There are some 25 acres of open water. It is not a normal docks since not only are Wherry, Orwell and Cliff Quays on one side of the River Orwell and the West Bank is on the other, but there is the added advantage of an island in the middle. So there is a higher than usual proportion of waterfront land.

The complex is literally five minutes walk from the old administrative heart and shopping centre of Ipswich. There has been some development along the Neptune Quay and Wherry Quay right at the base of the West Dock, as the inner dock is called.

Ipswich Borough Council would like to see the whole of the 70-acre West Dock area developed. It envisages a hotel and conference centre on the island site, housing and offices on the two quays, possibly a maritime museum in a central position, a co-ordinated water plan embracing possibly a marina and related onshore leisure developments including restaurants and shops.

Water-side development would give a terrific boost, the thinking goes, to Ipswich's aim of becoming the undisputed regional capital of East Anglia at a time when Britain is becoming more Euro-conscious because of the internal market in 1992 and the Channel Tunnel in 1993.

The problem with getting any sort of masterplan in place is that, as so often with old dock areas, there is mixed ownership. The council owns an area of about 14 acres on the West Bank. Mr Robert Maxwell's Pergamon Group owns a 16-acre site, also on the West Bank. The major landowner is the Ipswich Port Authority,

which is a statutory trust port. This owns all of the 18-acre Island site, which is now used for port services. It also owns a six-acre plot of Orwell Quay and Parkside, an eight-acre plot behind Orwell Quay. British Gas owns eight acres further along Orwell Quay. This is on a long lease to Anglo-Norden, a timber company.

Eighteen months ago, an attempt was made to get the landowners together to bring about a co-ordinated development. The value of the land was £1m an acre. The port authority saw the prospect of developing Orwell Quay and turning a nice profit to finance expansion further down the river outside the West Dock.

However, land values slumped in 1989. Dockland is now worth around £400,000 an acre. Development has become less attractive.

Then, the port authority had a closer look at the infrastructure changes that would be needed. It was estimated that a

bridge would be necessary from the island across the New Cut and possibly two bridges, because of restricted access.

According to Mr Alan Hanson, the authority's commercial manager, each bridge would cost £1.5m. "So you are talking about £3m off your bottom line before you start. Then there is the railway," he says.

Currently, a single track goods railway runs from Cliff Quay along the side of the island and joins up with the main station way off to the west. It would have to be diverted to cross the tip of the island down the West Quay, it is felt. Then there is the possibility of friction with the industrial companies still using the West Dock, such as Cranfields, a miller and Pauls, the maltsters. People would not like to buy upmarket housing opposite working warehouses and factories, it is felt.

Finally, surface drainage would have to be undertaken and this too costs money.

All this gave the port authority reason to pause. But what really made it hesitate and re-examine its plans was the ending of the national dock labour scheme last year.

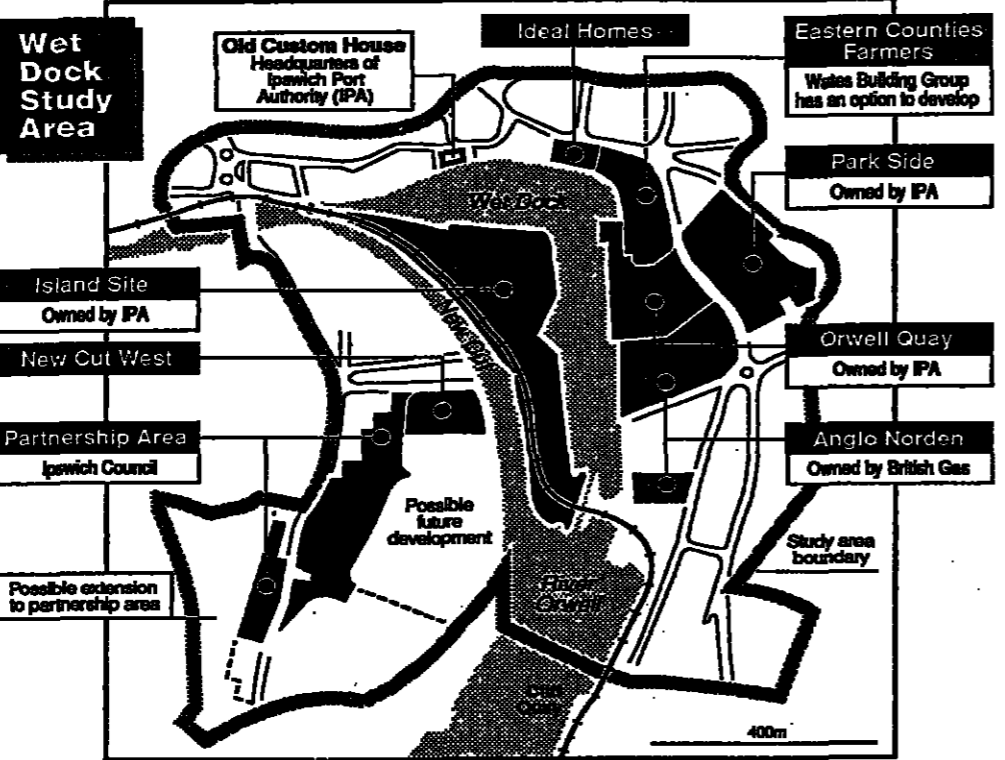
Mr Hanson says: "What people often overlook when talking about developing Ipswich Docks is that it is not derelict. Ipswich is still a working port. The West Dock accounts only for 2.5 per cent of our business now but we still use it."

He adds: "What the ending of the scheme meant for us was that there was a demand, almost overnight, for warehousing. Before, companies would not warehouse at ports as they were terrified their goods would be locked in by a national dock strike. Or they feared a Labour government would extend the scheme."

"Now companies want sites. The island is ideal for warehousing. The council owns a site further down river which, if so happens, is the same size as the island. It may be possible to do a land swap."

Mr Hanson says that in 10 years the docks might develop as the council hopes. But for the moment the port authority is taking things slowly and looking to its best options.

Stewart Dalby



Richard Gourlay reports from Britain's largest container port

A chill wind of competition

THERE WAS something portentous about the fierce gales that whipped down the Orwell estuary last month, immobilising the straddle cranes at Felixstowe, the UK's largest container port.

For once the port, which has enjoyed a decade of phenomenal growth, was as helpless in the face of the winds as other British ports, many of which have languished over the same period. Felixstowe was receiving a chill reminder that it will soon meet competition on something much more like a level playing field.

The abolition of the Dock Labour Scheme in July 1989, ending a 40-year practice that in its latter days had stunted investment and severely shackled management flexibility, has proved a fillip to competition. There are already examples of new life in ex-scheme ports, such as Southampton and Grimsby. And, as if to emphasise the arrival of a new era, 700 Felixstowe dockers went on a rare strike last November and were issued dismissal notices before a settlement was reached on new shifts.

Nevertheless, the advantages bestowed on Felixstowe, from the flexibility it had as a non-scheme port and its geographical position as the closest of the British ports to Rotterdam, have given it a flying start.

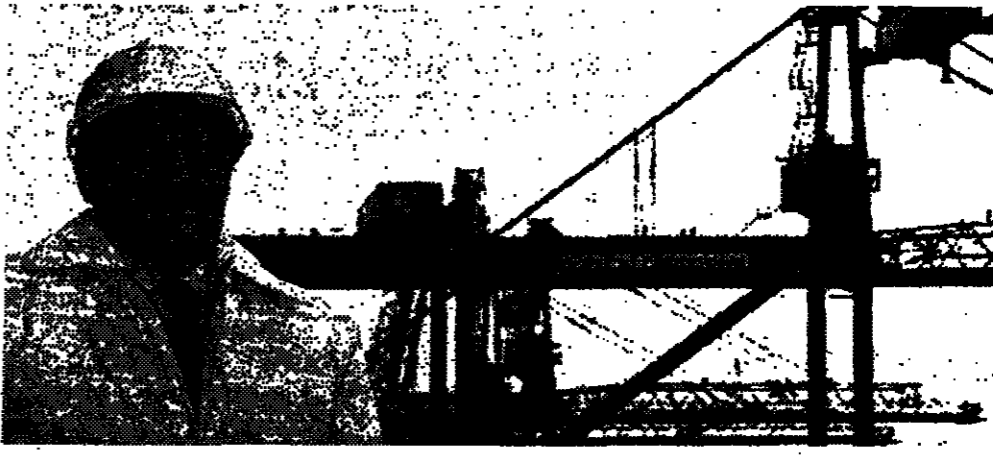
Since P&O took over Felixstowe Dock and Railway, which runs the port, from European Ferries in 1987, the volume of cargoes has increased by 50 per cent to more than 15.4m tonnes and the number of 20 ft equivalent container units (TEUs) handled has risen at a similar rate to more than 1.3m.

The four-fold increase in container throughput since 1979 has made Felixstowe Britain's largest container handling port. Pre-tax profits have risen equally impressively - by 73 per cent in 1987 from £5.5m and by a further 72 per cent in 1988 to £16.3m.

Mr Robert Guille, Felixstowe Dock's chairman, says 1989 will have brought further increases in traffic and profits and that the end of the scheme has not led to the loss of customers to



Felixstowe sea-front and (below) Robert Guille, chairman, Felixstowe Dock



ex-scheme ports. Stiffer competition is also likely to emerge from other sources. There is the Channel Tunnel, due to open in 1993, and there is the formidable prospect that the single market of 1992 may further boost the Low Countries ports of Antwerp and Rotterdam.

Mr Guille is sanguine about these competitive threats. The Channel Tunnel's two rail lines represent, he claims, the equivalent freight carrying capacity of just one more ferry service. The freight it will attract - 4 per cent of the UK's total traffic - is likely to be bound for central and eastern Europe.

It would be unlikely to provide a viable alternative route for the transhipment and short-haul traffic that makes up 30 per cent of Felixstowe's traffic, he says.

Felixstowe is also well-placed with adequate capacity following the completion last year of the first phase of the Trinity terminal. The 220-acre expansion was finally approved in 1988 after a four-year parliamentary battle fought by the Labour Party in a last-ditch effort to save the Dock Labour Scheme and the environmental lobby which argued the scheme hit into mudflats on the Orwell River that are designated Areas of Outstanding Natural Beauty and Special Scientific Interest.

The battle was at times ridiculous - pitting Labour politicians suddenly interested in the plight of dippers and waders against a port authority backed by Trinity College, Cambridge, which had bought the mudflats in 1933 for scientific reasons.

But it also highlighted a local dilemma. Felixstowe without the port would be a shadow of itself, a tired Edwardian seaside resort. On the other hand, local planners say there is growing resistance in Felixstowe to further port

development for fear that the balance between sleepy resort and working port and the surrounding beauty will be destroyed by the laying down of more concrete.

This is at least a risk if Toyota, now building a European car plant outside Derby, decides one day to ship its UK exports to Europe through Felixstowe. Mr Guille says very preliminary talks with Toyota have taken place.

So far the company has spent £50m building an extra 315-metre berth and extra container storage capacity, enough to bridge the downturn in the current business cycle, Mr Guille says. During the forecast period of relatively sluggish growth, the port's immediate aim is to grab some of Rotterdam's transhipment business, although Mr Guille complains British ports are hampered by trade practices out of their control like the subsidies afforded to some European ports.

The other counter-cyclical business activity to be developed is rail-freight, which currently accounts for only 15 per cent of all freight moved out of the port. BR plans to increase the number of wagons but Ipswich residents and Ipswich Borough are threatening legal action against the present levels of noise pollution.

Growing environmental sensitivity has already started to define the geographical spread of the port. Under the 1988 dock expansion bill, the port is allowed to expand 800 metres further to the east, enough to give three new 315-metre berths, subject to approval of the Secretaries of State for the Environment and Transport. But that is probably the limit. As a result of the four-year anti-expansion campaign, the company has undertaken not to seek to spread further and is building a wildlife sanctuary

on the western end of the port. The company is also focusing on more efficient land uses. It has started looking at computer reading and recognition of containers; it is experimenting with computer location of boxes and it is looking at higher stacking techniques used in Singapore and Hong Kong.

As ports move further along this technological road, and machines increasingly remove the smell of salt spray and sweating stevedores from the docks, who knows whether Felixstowe may not even retain its lead by learning how to tame the wind?

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Poll tax is a problem

LIKE EVERYONE else, it seems, Mr Jim Hehir, chief executive officer of Ipswich Borough Council, is worried about the poll tax. His problem is not so much that he does not want to pay it, but the hard job he is having in justifying the rate that has been set.

Suffolk County Council is seeking £440, much more than originally thought necessary. This breaks down as follows: the county council £320 or 75 per cent of the total, Ipswich Borough Council £95 (22 per cent) and £15 loss on collection. The Government might try to "cap" Ipswich (which is the collecting agent for the county

council). It considers that Ipswich should spend £9.1m, but the actual figure will be £17.9m or 98 per cent above the Standard Spending Assessment.

On the revenue side Ipswich, which has developed service sector industries in recent years, is losing out on the Uniform Business Rate. Under the new system, which like poll tax, comes into effect next month, £31m should be collected from businesses in Ipswich, but the Government figure allows only £25m back. There are hopes that weekend or leisure tourism will be developed.

Instead of the old Odeon cinema, there is to be a five-screen multiplex cinema, but that cinema is being preserved as a 1,900 seat theatre. It is hoped this will mean that national dance, opera and theatre companies will put Ipswich into the national circuit. Down on the docks, plans are progressing for a European Visual Arts Centre, which may prove much more than an art gallery.

Ipswich, the county town, has also developed as a shopping centre for villages and towns as far as 25 miles away. In terms of leisure and recre-

ation, it has made great strides in recent years. There has always been the Ipswich Town football club. It continues to have its ground right in the middle of town, close to the Civic Centre and the docks. Ipswich also now has four leisure centres. The best-known is the Crown Pools, with over 800,000 users a year. The town has developed considerable business tourism. Two newish hotels, the Post House and Novotel, are full during the week. There are hopes that weekend or leisure tourism will be developed.

But the main reason for the high charge, Mr Hehir maintains, is that the Government makes no allowance for the fact that Ipswich has become a regional centre in recent years, providing services for the surrounding districts and parishes and not just the town.

Stewart Dalby

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Monday March 26 1990

The need for a British role

THE EFFECTIVE dissolution of the Soviet bloc, bringing as its consequence the unification of Germany, confronts western Europe with new challenges.

The European Community has not only to absorb a sudden increase in the territory and population of its largest and richest member-state, but also to respond to the hopes placed in it by the central and eastern European peoples, and to decide where its eastern frontier will ultimately be drawn. More immediately, it faces strains resulting from a sudden shift in its internal balance of power.

Germany is not only reuniting but also expecting to recover its full sovereignty, shaking off the last trammels of defeat and occupation. As Germans rediscovers a national pride which for 40 years had been repressed, their self-assertion collides with the reawakening fears of their neighbours about the inherent meaning of German power, and also with the habits formed, particularly in France, during the long period when German co-operation could be taken for granted.

In the security field, existing European structures are even more profoundly shaken. Nato faces not only internal strains but questions over its very raison d'être. Yet the European security problems have changed in kind, they have certainly not disappeared.

Seldom has European statesmanship been more obviously in demand. Yet the supply seems short. Although the European Community is often, and correctly, cited as embodying the right approach to all these problems, the Franco-German relationship on which its stability has rested looks dangerously frayed.

Foreign policy

Britain, to which both France and Germany have looked in the past as a counterweight against each other, should at this point be placed to act as a steady influence and a source of ideas. But unfortunately the moment finds Britain preoccupied with relatively trivial domestic problems, under a Prime Minister who has always been more of a conservative (with a small "c") in her approach to foreign policy than in her atti-

tude to economic and administrative problems. Doubly unfortunate that her style, much admired in some parts of the world, has won her more enemies than friends within western Europe. Truly so, that her attitude to European integration has almost invariably been expressed in negative and nationalistic terms.

Monetary union

Certainly Britain is right not to accept adherence to the Delors Plan on monetary union, or to other formulations of Mr Jacques Delors's federalist philosophy, as the only criterion by which its European commitment can be judged. The trouble is that Britain has not come up with a sufficiently positive and inspiring European vision of its own. The Single Market is an excellent idea, and does indeed require further effort on all sides if it is to be successfully implemented, but as an idea it predates the changes in east and central Europe, and cannot credibly be trotted out as a response.

What is needed is a strategy for gradually integrating at least the central European countries (Czechoslovakia, Hungary and if possible Poland as well as East Germany) with the west European economy and society, holding out full membership of the Community as the eventual goal.

What is also needed is a plan for the effective and democratic government of the Community, but one that could be achieved by exercising national powers more effectively in common. For instance a permanent Council of Ministers might be established, with members who would have cabinet rank in their own countries, as well as a second parliamentary chamber composed of delegations from national parliaments.

No less important is an analysis of the new security needs of western Europe, and a proposal for a new security structure within the Atlantic Alliance that would be better adapted to those needs than the present Nato structure.

In all these three areas Britain could and should make a key contribution, if only it has the political will to break from the parochial conservatism of its present world outlook.

US retreat in microchips

A MEDIUM-SIZED takeover in a relatively obscure branch of the US electronics industry would normally pass almost unnoticed. However, the recent joint purchase by six companies, including IBM and Du Pont, of one of Perkin-Elmer's semiconductor equipment divisions is an alarming measure of how far the Japanese onslaught in electronics has forced the US onto the defensive.

Perkin-Elmer, once the world leader in chipmaking equipment, now ranks eighth in an industry dominated by Japanese suppliers. Though its technology is well-regarded, it concluded late last year that it could no longer afford the investment required to stay in the business and put it up for sale. When no US bidder materialised, the six companies hastily banded together to keep the technology out of Japanese hands. A similar rescue of another Perkin-Elmer division is under discussion.

The joint purchase has been justified as a strategic imperative, aimed at preserving some US independent capacity in a sector which has already been ravaged by a severe shake-out. Otherwise, it is claimed, American customers would be at the mercy of vertically-integrated Japanese suppliers who would refuse to share their latest production technologies.

It is difficult to judge how well-founded such fears are. Silicon Valley has cried wolf before. It argued that Japanese chipmakers would use their domination of D-Ram production to hold US customers to ransom and undermine national security. Yet, for much of last year the world market was awash with D-Rams. Though supplies have tightened recently, there is no evidence that this reflects any threat other than a normal adjustment in a notoriously cyclical business.

Vulnerability

However, there is a danger that a growing sense of vulnerability and anti-Japanese sentiment will lead the US industry increasingly to turn to the government for salvation. Pressure is already mounting for controls on Japanese takeovers, while Washington is also being urged to take the lead in developing "strategic"

commercial technologies and to throw its weight - and taxpayer money - behind collaborative industry programmes.

Flexibility

Though the Bush Administration recently relaxed anti-trust restrictions on joint research and production, it has so far refused to take a more interventionist stance. It maintains that it is up to the US electronics industry to solve its own problems. That task should be left to the industry, but it is hard to see how it can be done without recourse to protectionism or the intervention of a federal bureaucracy which, in any case, is poorly equipped to carry out industrial policy.

On that, the administration is indisputably right. Japan's strength in electronics, as in other industries, owes little nowadays to government largesse. Its companies have thrived because of their commitment to long-term strategic goals, flexibility in responding to market trends and the quality of their management. They also owe much to their close, mutually reinforcing links with customers and suppliers. The recent failure of US Memories, a D-Ram production consortium, for lack of industry support underlines how much American companies have to learn in that respect.

However, US industry's biggest handicap of all is financial. Chipmaking is a ferociously capital-intensive industry, in which each new product requires higher investment than the last. Japanese companies have stayed in the game, thanks to patient shareholders and the availability of reasonably-priced funds. Their US competitors are increasingly victims of short-term stock market horizons and the high cost of capital. That was why Perkin-Elmer decided to sell out - and why it had such difficulty finding an American buyer.

It is unclear what can be done about the first of these problems. But responsibility for the second lies squarely in Washington. So long as it takes action to cut the federal budget deficit and encourage saving, the US electronics industry will remain at a crippling disadvantage - and its demands for government intervention will continue to grow.

Like sections of the Berlin Wall, pieces of the US arms industry are being offered for sale.

Ford, with its Ford Aerospace operations, Chrysler and Honeywell are among the vendors. Companies with defence activities peripheral to their main line of business are starting to want out. But there has been no rush by other US companies to snap them up. Others more deeply committed to doing business with the Pentagon are speculating as to how many of them will survive intact.

Epochs are about to end. Ponder the names: Lockheed, Northrop, Grumman, long-standing builders of fighters and bombers, formidable lobbyists. It is an open question which, if any, of them will get through the 1990s still in the business of designing and making their own aircraft.

Lay-offs have been announced in recent months at these and other defence contractors, including General Motors's electronics subsidiary Hughes Aircraft, and United Technologies's helicopter manufacturer, Sikorsky Aircraft.

"I would say that there will be a shake-out in the defence industry," says Mr Donald Atwood, the veteran former General Motors executive drafted in last year as Deputy Defence Secretary. He predicts a wave of joint ventures and corporate alliances. So far, proposed procurement cuts have only snipped at the edges of the Pentagon's shopping-list for new equipment. But as the Democrat-controlled Congress pushes for more response to the changes in eastern Europe, the brand-new budget prepared for the fiscal year starting in October is already being revised to accommodate more spending reductions.

The projection for US defence spending over the next five years was reduced in January by some \$167m, compared with the Bush Administration's first version last year.

Inflation-adjusted military spending has been dropping ever since the peak of President Reagan's arms build-up in 1985. The process, the result of cuts by Congress, has now turned into a deliberate build-down. It has happened before, notably following the Korean War and the Vietnam War. But this is the first time the Pentagon has ever proposed continued real-terms reduction over such a long period.

The Pentagon's \$295.1bn budget

The old rationale for defence efforts against the Soviet Union has collapsed, without a new rationale to replace it

authority request for fiscal 1991 - the limit for new spending commitments it can take on - is a 2.5 per cent drop in constant money terms and almost 16 per cent below the 1985 level. (The figure excludes a projected \$11bn for military nuclear work performed by the Department of Energy.) At the end of five years, defence outlays - the amount actually spent in a given year - are due to be down to less than 22 per cent of total US federal expenditure - the lowest proportion since 1949.

That projection is based on continuing cuts of 2 per cent a year in real terms. But, whether given by the Administration or taken by Congress, the cuts are likely to be larger - more like 5 per cent, analysts believe. There is no question but that we will be procuring less from the defence industry," Mr Atwood says, although he wants the Pentagon to keep up or increase its support for research and development.

"The real unknown," says Mr Tom Young, new president of the Martin Marietta weapons systems company,

Beginnings of a farewell to arms

David White and Lionel Barber begin a series on the shake-up in the US defence industry

"is what is the slope of the decline and where it will level out."

An analysis published by Washington's Brookings Institution suggesting defence spending could be cut to \$160bn in inflation-adjusted dollars in 10 years has gained some credence among Democrats in the House of Representatives. Other defence experts believe that with a US-Soviet treaty on long-range nuclear arms, the figure could be in the \$200bn range in five years.

In the short term, however, Congress's scope for moving money away from defence is limited by the work-limits of the Gramm-Rudman deficit reduction law. If Administration and Congress fail to agree on budget proposals, automatic cuts are triggered to meet deficit targets, with half of the amount taken from defence. If that meant less damage than Congress was threatening, the Administration could easily invoke the process. It therefore has the perverse effect of setting a floor for defence spending.

How much of the cuts would come out of equipment programmes is unclear. Since hardware "accounts" spread spending over long periods, immediate savings in outlays are more easily obtained from changes in force structure. But this can be painful. Most of the 35 military bases in the US which have this year been slated for closure are in Democrat districts.

A standard complaint in Congress - dismissed as "foolish" by one senior defence official - is the lack of a clear vision to guide defence choices. The old rationale for the scale of defence efforts against the Soviet Union has collapsed, but there is no new rationale to replace it.

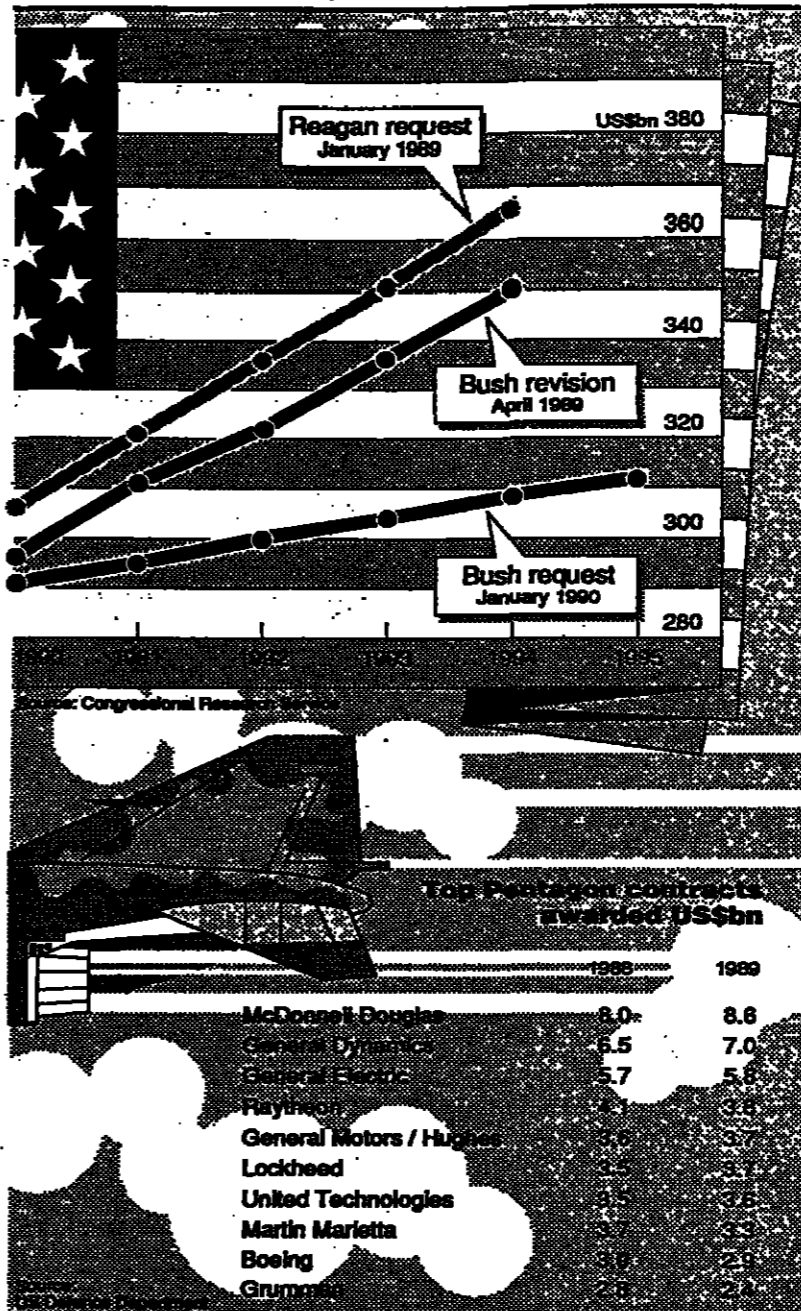
There is a feeling that the reduced threat - recently confirmed in congressional testimony by CIA director, Mr William Webster - was not factored into the budget submission. Only in part do the proposals reflect the changes: elimination of two army divisions in the US; a shorter deployment schedule for the US Army's Apache attack helicopter; and, above all, the ending of the requirement for Abrams tanks.

General Dynamics's two tank plants would be left relying on exports (to Egypt, Saudi Arabia and possibly Britain). If spending export orders fall, the plants would be closed. From 1983, the US would be without active tank production for the first time since the Second World War, 4,000 people would be laid off and, according to the company, some subcontractors could go out of business forever.

On the other hand, projects for next-generation equipment have been largely preserved, even though much of it is also geared to the European theatre. Mr Gordon Adams, director of the Defence Budget Project, a non-profit think-tank, says the Pentagon is "lying blind another year."

The medium-term spending targets have yet to be fleshed out. Cuts already announced, and official estimates of the resultant savings over five years, account for less than half of the \$167m projected reduction. The rest has still to be identified.

CHANGING US DEFENCE PLANS



Management reforms announced in January are aimed at chipping almost \$60m off the defence bill in five years, by cutting overheads, reducing paperwork and streamlining the handling of contracts. This involves dropping 18,000 civilian and 24,000 military posts, out of more than 500,000 who work buying equipment for the US forces. Mr Atwood sees scope for economies over and above this, for instance by amalgamating payroll systems. But Mr Adams says he cannot work out how the target figures are arrived at.

"There is no black magic," Mr Atwood admits. "There is no phenomenal one-step thing that's going to fix it all. It's going to be a series of continuous improvements."

Like an ocean liner under full steam, the Pentagon takes a long time to turn around. In his two annual budget proposals, Mr Dick Cheney, the Defence Secretary, has "killed" a total of 20 weapons programmes. Last year they included the Bell/Boeing Y-23 ultra-robot aircraft and the newest version of Grumman's Tomcat carrier-based fighter, the F-14D. Congress kept them alive; this year they are back on the list.

"Some of these programmes are like Dracula. You have to drive a stake through their hearts to make sure they're dead," says Mr Adams. This year's debate is likely to bring more piecemeal alterations. Certainly, the Strategic Defence Initiative will again receive less than requested, and the ambitious range of strategic weapon plans will be a prime target. These include the two concurrent programmes for intercon-

tinental missiles on mobile launchers and the planned fleet of B-2 "stealth" bombers, each costing almost as much as the annual defence budget of Mexico.

An urgent Pentagon review of the B-2, on which about \$300m has already been spent, is under way along with three other aircraft projects. These are the Advanced Tactical Fighter (ATF), a successor to the F-15, being developed by two rival teams; the A-12, a highly-classified General Dynamics/McDonnell Douglas project to replace the Navy's Grumman A-6 medium bomber; and the McDonnell Douglas C-17 strategic airlifter, which has work parcelled out to 14 states. As planned so far, they would cost a total of well over \$200bn.

Study groups are due to complete their work this month, and Mr Atwood expects firm recommendations by May 1. At stake is the future shape of the aerospace industry. Northrop is heavily dependent on the amount of funding it gets for the B-2, and Lockheed lead the two teams competing for the ATF, the latter in search of a new aircraft project to follow its F-117A stealth strike aircraft used in the invasion of Panama in December. The whole concept for the new air-superiority fighter is in some question.

Mr Atwood promises it will be a "top-to-bottom" review. Others doubt if it will bring radical decisions, but even if all are broadly preserved it will not necessarily bring comfort for the industry. "A lot of existing programmes will be squeezed very low," one executive forecasts.

Grumman, which produces at two plants on Long Island, is not the only company at risk of finding itself with no new aircraft to its name. The list of prime contractors for military aircraft producers is rapidly boiling down. Out of seven, LTV, which incorporated the former Chance Vought company, long-established supplier of Navy aircraft, and Rockwell International, following the B-1B bomber, are already effectively on the sidelines.

In missiles, too, the US has a clutch of seven or eight companies competing for an increasingly tight market. Mr Atwood wants to leave it to industry to sort itself out and combine forces. "The Department of Defence does not have a defence industrial policy," he insists. It would only interfere in a very unique case, to preserve a crucial technology or

Most US defence companies are heavily in debt, hit by changes in tax rules and squeezed by fixed-price contracts

manufacturing capability. "We feel we have an obligation to foster the technology here, to ensure that we have a practical capability here to do it."

The trouble is that few US defence companies are in a fit financial shape to play a forceful role and to take up the acquisition opportunities now presenting themselves. Most are heavily in debt, hit by changes in tax rules which mean they can no longer defer tax on unfinished projects, and squeezed by fixed-price contracts in which they have had to share the development costs.

Mr Atwood believes the shared-risk policy has penalised companies and led them to scrimp on engineering design efforts. "I think it's the wrong thing and I think it's going to mean we have to pay more of the development costs, or all of the development costs ourselves."

Such a change will be welcome news for defence contractors, but the Ford and Honeywells are not waiting around for it to happen.

Further articles in this series will appear on the foreign pages.

A surprise to us all

Put yourself in her position. The British Prime Minister, along with her party, is right down in the opinion polls. There is very little good news and probably none on the economic front - to look forward to in the next few months.

You know that that you have a reputation for stubbornness, for digging in when the going gets rough. You have paid off the Falklands war and the miners' strike, for examples. You know that you have been through mid-term blues before and have come out on top.

Yet, being on the inside, you know something that many others do not. You have not always been stubborn. Some of your greatest triumphs have come from being flexible: the settlement in Rhodesia, for instance. You know that you have a capacity to surprise, for suddenly and unexpectedly doing the right thing at the right time - like challenging Edward Heath for the leadership and winning.

You also know that you have often said to yourself - even if you have not admitted it much in public - that the test of a leader is to know when to go, and you always hoped that you'd get that one right. You must be thinking about it now.

You know as well that a lot of people are saying that the Tory Party would have a better chance of winning the next general election if you were to stand down. Do you really want to risk hanging on and taking the party to defeat, when you could go soon with dignity? At the very least, a new Tory leader, two years before the election, would give the Labour Party something to think about.

What does Denis think? After all, you have often said that he is your best and closest adviser.

That is why I would not be

surprised if Margaret Thatcher were to step down as Prime Minister around the beginning of July - the timing because it would leave the party to choose a successor before the end of the Parliamentary session, before the holidays and before the Party conference.

Trabbi trail

West Germans may have a certain affection for the Trabbi - or Trabant - the car that brought thousands of East Germans to the Federal Republic. The insurance figures, however, show that the vehicle has taken its toll. There were more than 4,000 accidents involving the slow-moving Trabbi and West German cars, seeking to overtake them, last November and December, more than in the whole of the previous year.

Opec's move

An Austrian Government minister, Isam al-Chalabi, has led to a flap about where the next Opec meeting will be held. Chalabi has proposed moving the venue of the next Opec meeting from Vienna to Geneva after Wolfgang Schäfer, the Austrian Economics Minister, called a meeting with Chalabi at the last minute in protest at the execution in Baghdad of Farzad Bazofi, the Observer journalist.

Cancellation of the meeting was leaked to the Austrian press during the Opec meeting a week ago and, according to Platt's, the oil news agency, this has particularly incensed Iraq. Taking an unusually bold stand on international issues, Austria condemned the execution in a statement from the Foreign Minister, which called it "completely incomprehensible and inhuman."

Saudi Arabia has publicly backed Iraq over the execution, along with the Arab Cooperation Council. But delegates from some of the other Opec members were privately appalled by it.

Opec now has block bookings at hotels in both Geneva and Vienna and will have to await the decision by Opec's 13 Oil Ministers. They had earlier voted to meet on May 25 in Vienna, the seat of the Opec secretariat.

Protest vote

This has been an extraordinarily dirty general election, even by Australian standards, and we still do not the final result. Every last vote matters, even those of the couple of thousand people stranded by a hurricane on Saturday and who had to vote on Sunday.

Australia is one of the most elected countries in the world - parliamentary elections every three years at least, let alone Senate, state and municipal elections. Some Australians think even that is not enough and would like the opportunity

to kick the politicians out every year.

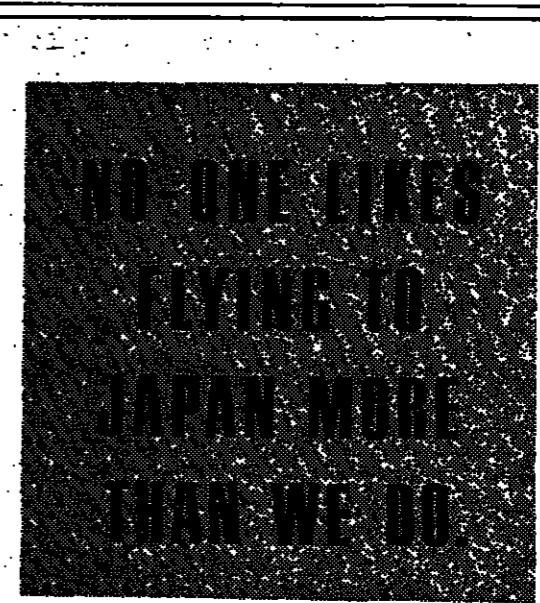
The frequency of the elections have to explain why Bob Hawke, the man who may still be Prime Minister, seems to have been around for ever. In fact, the former Rhodes scholar has been an MP for less time than Margaret Thatcher has been Prime Minister of Britain, having entered Parliament in 1980 at the age of 50 after 11 years as leader of the trades union movement.

Voting is compulsory. There is a \$50 fine on anyone who stays away from the polls or spoils their ballot paper. But this, too, can have a perverse effect. It may have led to voters turning away from mainstream politics and politicians. Thus Helen Caldicott, a former Labor candidate standing on an anti-nuclear platform, caused a big upset by unseating Charles Blunt, the leader of the National Party side of the coalition, in the New South Wales country seat of Richmond.

The system is also complex. Voters must vote for all the candidates and parties in order of preference, so in a close result the preferences often count more than the first choice. The rising Green lobby could sway it all by having given its second preference to Hawke's Labor Party. But we may have to wait a couple of days to be sure.

Smart pub

A gorilla goes into a pub and orders a pint of lager. The barman serves him, but charges 25. "Lovely day," says the gorilla. The barman grunts his assent. The gorilla orders another pint and is again charged 25. By about the third pint, the pair of them have been through a certain amount of increasingly friendly chit-chat. "What do you think about the poll tax?" and so on. Then the gorilla gets up to leave. "We don't get many gorillas coming in here," says the barman. "At 25 a pint, I'm not surprised," says the gorilla.



Only JAL have 33 flights a week from Europe to Japan.

JAL
Japan Airlines

In a big functional office in Brussels a British lawyer has been getting in to work early and staying late. Mr Colin Overbury, a competition policy expert at the European Commission, has been leading a team charged with transforming the 26 articles of the EC's new regulation "Control of Concentrations between Undertakings" into a functioning system of merger control.

There is not much time. The regulation, which was agreed triumphantly last December after 18 years of haggling, will come into force on September 21 this year. The Commission must by then be ready to examine some 40 to 50 mega-mergers a year and in each case decide within four weeks whether or not to investigate, or to deliver a final verdict within four months.

The Commission is a relative novice at the merger game, and has been seeking the advice of the Monopolies and Mergers Commission in the UK, of West Germany's Federal Cartel Office and of other old hands. It is busily drawing up guidelines on how it intends to implement the regulation, and is testing them out for around four dozen or so new staff well versed in merger control.

Meanwhile it has already started to "shadow" the new rules. It refrained from looking at the Costa Vytella/Total merger last November on the grounds that it fell below the regulation's threshold, whereas bigger deals such as Nixdorf/Siemens are being investigated as much as possible as if the new rules were already in place.

While the Commission has been wondering how the new system will work, so too have acquisitive companies both inside and outside the Community. Every law firm in Brussels has spent the last three months picking through the regulation in response to inquiries from clients contemplating European takeovers. The more they look at the rules, the less they seem to like them.

The regulation is much more complicated than it appears, providing for a maximum of 30 different decisions that the Commission could take on any single case. Every one of those could be challenged in court, and in most of the areas it is not at all clear how the Commission will employ its new powers. Try as the lawyers might, they are finding it hard to present the regulation into the simple flow chart form that can be easily grasped by their clients.

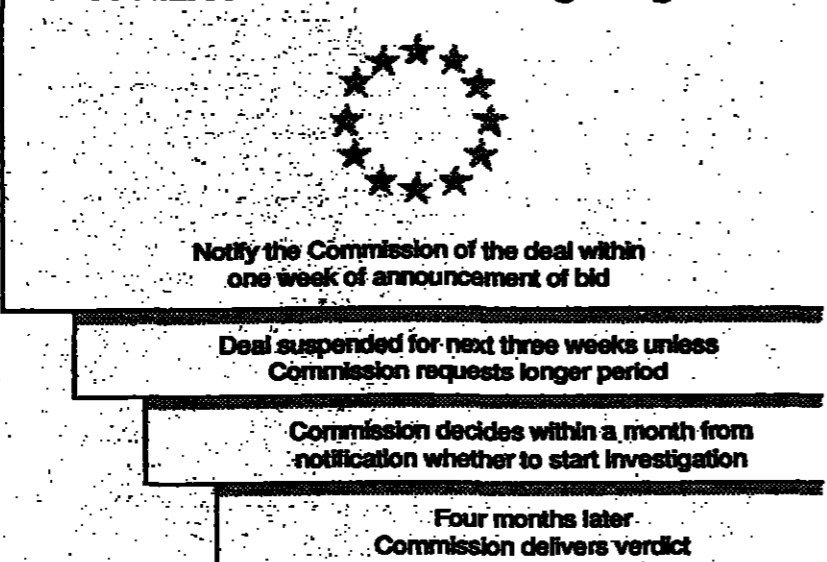
"The regulation will remove many of the uncertainties which have bedevilled merger control in the Community over the past years, only to replace them with a new set of uncertainties," concludes a heavy document recently put out by Linklaters & Paines, the City lawyers.

The aim was to make merger regulation simple to provide the famous "one-stop" principle. But the rules are so complex that they would either shop with the Commission or at home, but not with both. At first sight, the regulation sticks fairly close to its aim. The Commission will have sole power over big mergers, while member states will have sole power over smaller ones. Big is defined to cover mergers with a combined turnover of over Ecu20m (E2.75m) with EC turnover of each company of at least Ecu250m, and with no more than two

Lucy Kellaway asks if the Commission is equipped to apply EC merger regulations

Old game, new referee

Procedures under new EC merger regulation



thirds of the EC turnover of each in one and the same country.

There are three exceptions to this neat division: the Commission can examine a merger below the threshold if invited to by a country that does not have its own merger body; national bodies can look at mergers passed by the Commission if national interests are at stake; or if competition in local markets is threatened.

Although the Commission has stressed that the exceptions will be rare, not everyone is convinced. "I think the regulation is a great disappointment. The one-stop principle is not there. It has simply multiplied the layers of regulation, and encouraged member states like Belgium, Spain and Portugal without strong merger rules to start to introduce them," says Mr Jean Rusotto, a mergers expert at Oppenheimer, Wolff & Donnelly. The Linklaters report agrees that genuine one-stop control will be the exception, not the rule.

It is not clear how neatly the rules will fit with the existing national merger rules, and clashes may well occur. For example, the definition of a "concentration" to which the rules apply is not identical to that used by member states. The regulation talks of a company exerting a "decisive influence" on another, which may turn out to be different from the UK's notion of "ability to control," or the formal idea of control on which German law is based. This

means a company progressively increasing its stake in another might trigger successive examinations in different places.

There is also the problem of criteria. Even though Sir Leon Brittan, the Commissioner with responsibility for overseeing mergers, has repeatedly stressed that competition will be the only grounds for deciding whether to block a deal, lawyers remain concerned that the regulation will allow the Commission to take other factors into account such as the Community's "technical and economic progress". However, as the regulation explicitly says that competition must not be tampered with the Commission will be unable to use the rule as a tool of industrial policy.

Non-EC companies are also getting suspicious about how the rules will affect them. It is quite possible that two US companies, each with the required amount of sales in the Community, but with no Community presence, could merge. While such a case would certainly fall within the rules, it has yet to be seen how seriously the Commission would pursue its powers in such a case.

Two important documents currently being drawn up in the Commission should provide the answers to some of these questions. The most important will be the notification form that any company likely to be caught by the rules will have to fill out and submit to

the Commission. It is hoped that the form itself will be a lengthy series of leading questions that should give a clue to how the Commission is going to interpret the rules.

Just as eagerly awaited are guidelines on joint ventures. The regulation makes a distinction between "concentrative" joint ventures and "co-operative" joint ventures, but a hazy difference that urgently needs clarification. In the first case, Commission merger rules apply. In the second - where the joint venture has been set up simply so as to co-ordinate competitive behaviour - the deal will not count as a concentration at all, and will be dealt with as hitherto, under articles 85 and 86 of the Treaty of Rome.

Despite all the uncertainties about how the Commission will operate its rules, many companies may well prefer the devil they do not know to the devil they do. Siemens, for example, has seen the worst of the untidy old system, when its joint bid for Plessey had to get seven different anti-trust clearances, some of which - including the Commission's - are still pending. It has suggested the companies may deliberately change their corporate plans so as to have their deals examined by the Commission within the scope of the rules. At a conference organised by the Centre for European Policy Studies in Brussels, Mr Juergen Lindemann of Siemens said it may be better to concentrate than to co-operate. And don't be too modest; you'd better take control.

There are also doubts as to whether the Commission might not have taken on a little too much. It is planning to hire an extra 40 to 50 senior executives to deal with what is expected to be a similar number of enquiries. "That is only one person per merger, and given how quickly they will have to move, I doubt if it is enough," said one London-based merger expert.

Whether or not the Commission has enough people to cope may depend partly on how the lawyers themselves advise their clients. Cynics might say that the legal profession is over-estimating the complexity of the regulation, with an eye to fees. As companies must notify the Commission of any deal that might fall within the regulations - failure to do so means a fine - lawyers may encourage their clients to notify even when it is clear that the deal is not caught by the rules. Some 300 deals a year may be percolated off to Brussels, which could stretch to breaking point the Commission's merger team.

One is that the regulation will be an open invitation to insider trading. Before the Commission hands down its verdict on price sensitive information on any given case, it must be put to a committee of representatives from all member states. Mr Overbury denies that this is a problem: the Community has just agreed insider trading rules, and the Commission employees already have a code of conduct, he says.

Yet the Commission seems to be approaching its task in a pragmatic spirit. The national merger bodies, after some initial carping, appear to be co-operating with a view to replacing a system that is chaotic with one that is quick, clear and efficient.

LOMBARD

High time to 'buck up' despite Mid-Staffs

By Samuel Brittan

UK visible trade volume

	Exports	Imports
Latest 3 months on previous 3 months	3½	-1
Latest 6 months on previous 6 months	7½	0
Latest 3 months on same period previous year	11	½
1989 on 1988	10	8
1988 on 1987	4	14

Seasonally adjusted, excludes of a small item

Source: CSO

the trade figures - as those who have followed my teenager's guide will know - have continued to show the effects of the slowdown in domestic demand.

Export volume is rising at just into double-digit annualised rates, whether the last three months are compared with the previous quarter or the previous year. The growth of import volume, on the other hand, has ground to a standstill.

The rapidity with which exports and imports have responded to a moderate home market squeeze confirms that the surge into deficit reflected excess demand, and not an overvaluation of the pound. For what it is worth, twice as many of the industrialists questioned in Thursday's Financial Times survey believed that sterling was undervalued against the Mark as believed it was overvalued.

It is precisely because so much of the demand squeeze is being offset by higher exports and restrained imports that underlying inflation remains so high. To get inflation truly so high, a larger margin of slack would have to be created, involving a real old fashioned recession maintained for some time, or some other shock imposed such as a link with a low inflation currency area.

But despite the clear evidence of the trade gap shrinking toward sustainable levels some people received the figures sourly because the CSO put in "zero" for its dummy estimate of invisibles, which are normally added to the visible balance. This seems a reasonable compromise between projecting forward the invisible deficit shown in the fourth

quarter, and anticipating the recovery to modest surplus expected by the Treasury.

Invisibles fell in 1989 because of unusually large payments to the European Community and temporary setbacks to sectors such as insurance. But the scare about invisibles disappearing is nonsense at a more fundamental level.

A factor in the decline of invisibles has been the increase in interest payments to overseas funds attracted to London partly to cover the current payments deficit. Yet it is very curious that in 1989 the value of net UK overseas assets rose, according to the Red Book, by £20bn to £110bn - the increase being much larger than the recorded payments deficit and much larger than can be explained by the fall in sterling.

The point is that inward investment in London contains a large banking and securities element, where the return comes in the form of interest payments. UK overseas investment on the other hand is largely direct or equity and the return comes in revaluations and capital gains which are not shown in the official current balance of payments figures.

Suppose that there were a zero balance in goods and services, but Britain attracted funds into interest-bearing deposits, which were then recycled abroad in direct and portfolio form? The business could be extremely profitable. Yet the statistics would show a continuing deterioration in the balance of payments on interest, profits and dividends.

Those whom the Gods wish to destroy, they first give balance of payments statistics.

LETTERS

West German factors in East Germany's election

From Mr Colin Wolfe

Sir, While not wanting to dispute the resounding farewell which the East Germans gave to their former Communist system, there are several points which make the results of the March 18 poll difficult to analyse in the longer term.

Chancellor Kohl's offer of parity between the D-Mark and the East German Mark undoubtedly had a large effect on the poll. This was for both ordinary common-sense finan-

cial reasons as well as the psychological attraction for East Germans of suddenly having access to what was previously an expensive and hard-to-obtain currency.

The only party that could offer this parity and put it into practice in the near future was the party in power in West Germany. Its allies in the East were bound to benefit. Thus the East's Christian Democratic Union (CDU) and its partners were in an artificially

stronger position than the East's Social Democratic Party (SPD) because promises outside anyone's real control in the East were being made by their associates in the West.

These points make the East German poll unusual quite apart from its momentous and historic nature and result. Political circumstances and strategies in West Germany probably interfered, intentionally or unintentionally, to an unknown but considerable

extent.

While East Germans clearly rejected communism and fervently embraced democracy and reunification, it would be difficult to say what the long-term patterns of voting will be once the CDU loses the special attractions that only the West German party-in-power could provide.

Colin Wolfe, *Kornelidiana & Lindbeck, Brussels*

Healthy cash flow to Australia's pension funds

From Mr Don Stammer

Sir, Lex ("Tough times for the lucky country," March 19) says: "Australian pension funds are at present overfunded to the extent that few are receiving any cash flow at all." Certainly, some pension schemes - those based on "defined benefits" - are currently overfunded. However, the majority of Australian pensions are not defined benefits.

With an increasing coverage

of the working population in the pension net, cash flow into pension funds - excluding investment income - now runs at well over A\$10bn a year. With investment income also of well over A\$10bn a year, assets under management by Australian pension funds - currently around A\$110bn - are now increasing at a little over 20 per cent a year and this compound rate of increase is likely to continue.

Lex errs also when it says:

"Since mid-1988, domestic (but not foreign) investors have enjoyed the benefits of imputation tax on dividends." Foreign investors receive imputation credits against withholding tax on dividends: if the company in which they have invested pays a high rate of Australian company tax, those dividends are free of withholding tax to the non-resident investor.

Don Stammer, *Bain & Company Ltd, Sydney, Australia*

Pay delayed

From Mr Peter Jupp

Sir, I was amazed to receive a letter recently addressed to our credit controller from a major company, as follows: "We have been reviewing our trade supplier payment terms and we are writing to inform you of the changes we are making to your terms to bring you into line with our other suppliers. Your account will now be paid on 90-day monthly terms."

If small businesses are forced into bankruptcy because of badly-bought by major companies, it does nothing to help the business community survive a recession.

My company has a policy of paying small suppliers on 30 days. If business cannot adopt suitable ethics, then legislation should be brought in to allow companies to charge interest on money outstanding.

Peter Jupp, *Managing Director, Balfin Ltd, Stephenson Road, Groundwell, Swindon, Wiltshire*

Export credit subsidies on Europe-wide terms

From Mr Adrian P. Hewitt

Sir, Peter Montagnon says ("Exporters urge rethink on ECGD changes," March 16) that it will be a long time before the European Commission forces national export credit agencies to trim their losses and so end competitive export credit subsidies. Is 1992 a long time away?

The logic of the single market requires that any export credit subsidies which are

deemed worthwhile should be arranged on standard Europe-wide terms. Competition internal to the Community for softer credit insurance terms between the Export Credits Guarantee Department, Hermes, Coface, etc should best be eliminated by the dismantling of these agencies in favour of a single, European, export credit guarantee agency to facilitate European exports.

Perhaps Mr Nicholas Ridley

is enough of a European to explain his lukewarm attitude to the ECGD and its losses. He must already be used to the expressions of "dismay" and "desperation" from the exporters Mr Montagnon cites who are dab hands at getting export subsidies by other means.

Adrian P. Hewitt, *Overseas Development Institute, Regent's College, Regent's Park, NW1*

The preparation of trade statistics in the single European market

From Mr J.L.T. Davies

Sir, It is intended that the move towards the European single market in 1992 will bring significant changes in the statistics for the reporting of intra-EC trade by member countries, but no firm proposals have yet been made by Community countries as to how such information will be collected and recorded.

It seems strange that the European Commission, which in the past has been criticised for its attention to the minutiae of Community affairs, should on this occasion neglect to suggest any but the most elementary framework for

monitoring this important aspect of EC activity after 1992.

One wonders whether this is not a deliberate policy aimed at strengthening the hand of the Commission in its dealings with member countries, since in the absence of any worthwhile information on trade within the Community, the only reliable data available will in future concern the Community overall. The attitude of the UK Government in seeming to support this approach will paradoxically reinforce the Commission, since without proper data for the UK, the Government will be less able to argue its case when UK inter-

ests are at variance with those of other members of the Community.

In the most recent issue of its *Business Bulletin* the Central Statistical Office reports on a survey of users and suppliers of trade data from which it appears that there is substantial enthusiasm for the retention of the existing statistical approach to this problem. This involves the full disclosure of all export/import detail to HM Customs so that that department may continue to prepare a full set of data on monthly UK trade.

With less than three years to go, it is in any case most

unlikely that any new system can be agreed and introduced before the beginning of 1993 and any claim that it will involve less work than the current system will be difficult to substantiate.

It is not often that one can advocate a policy of no change as being the best, the easiest and, indeed probably the only solution to a problem, but with regard to the future provision of international trade data, this is certainly the case.

J.L.T. Davies, *General Manager, World Bureau of Metal Statistics, 27a High Street, Ware, Hertfordshire*

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George Graham on the wrangle within the French luxury goods group

The battle between Mr. Bernard Arnault and Mr. Henry Racamier for control of Moët Hennessy Louis Vuitton, the French luxury goods group, went back to their courtroom last week. Lawyers have flown freely around LVHM since it was brought into being three years ago.

But away from the gilded ceilings of the Paris appeals court, and the 20 less gilded corners of France's "finest" businesses, a different story unfolds. Two reminders that more was at stake in this battle than the reputations of Mr. Arnault, aged 41, the head of Financière Agache who took over as chairman of LVHM in January 1989, and Mr. Racamier, the 77-year-old head of the Vuitton clan.

On Thursday, the court announced its ruling for 1989 with net profits of FF22.93bn (\$510m), up 46 per cent from the previous year, proving that the lengthy power struggle at its head has not damaged its earning power.

Then, on Saturday, details emerged of a plan launched last week by Mr. Racamier, in alliance with Pofgal, the world's largest cosmetics group, and the Parfums and Perfumance financial groups, to make a takeover bid

for LVHM. Some Paris financiers believe the takeover plans may not have been finally shelved. They point out that the same groups are the partners of Mr. Arnault in Orsay, a company with resources of FF17bn whose principal investments so far are the Larvin fashion group and the Vuitton family stake of around 18 per cent in LVHM, held via the VIG holding company.

Supporters of Mr. Arnault are convinced the aim of the bid was to break up LVHM, which would enable Mr. Racamier to regain his family's Louis Vuitton luggage business, L'Oréal would take LVHM's Parfums Christian Dior scent operation, and the Hennessy cognac and Moët et Chandon champagne businesses would be taken over by the LVMH holding.

Documents prepared for the participants proposed buying up around 500,000 LVHM shares in the market for some FF22.8bn with the aim of launching a public offer for two thirds of the company's stock, at a total cost of up to FF200bn, once the appeal court judgment was delivered.

But even if it is clear that the success of this operation would depend on two things: winning over the Moët and Hennessy family shareholders who have

been backing Mr. Arnault, and victory in the current court battle over a contested 1987 issue of bonds with attached warrants. That winning came up almost certainly in Mr. Arnault's hands, and accounts for a quarter of his stake in LVHM. Mr. Racamier, together with a group of small shareholders in LVHM, has asked for the entire issue to be cancelled.

Mr. Arnault's supporters say that a cancellation of the issue would cost LVHM a total of FF5.17bn, but would, in any case, not change the balance of power within the company. They say that the control is based not only on the 43.7 per cent stake held by Mr. Arnault in partnership with Guinness of the UK, but also on the support of the Moët and Hennessy families. In addition, a large proportion of Mr. Arnault's shares will soon carry double voting rights.

But Mr. Racamier has always argued that a cancellation of the warrants and the shares resulting from the exercise would result in a new equilibrium between Mr. Arnault and the Vuitton family and would also lead other independent shareholders to switch their votes away from Mr. Arnault. The take-


over plan makes it clearer how this new equilibrium would be reached.

Other legal moves have included a suit from Mr. Arnault seeking to annul Louis Vuitton's Far East distribution contracts, containing an implicit assault on Mr. Racamier's management; counter-suits from Mr. Racamier on LVHM's contracts with Guinness, and on a perfume called "C'est la vie!" launched — he alleges wrongly — by Parfums Christian Dior for the designer Christian Lacroix, whose company is part of Mr. Arnault's own Agache group and not of LVHM.

The contested warrants have already come before the appeals court once before. It ruled last November that:

- The suit was irregular.
- The shareholders had suffered no real prejudice, nor even missed an opportunity, because of this irregularity.
- It could in any case not cancel the warrants alone, as Mr. Racamier and his allies had asked, since they were indiscoverable from the bonds, which they were initially attached to.

Second time around, with the plaintiffs seeking the cancellation of both bonds and warrants, the battle has seemed to go in Mr.



C'est la vie: perfume at the centre of a law suit against LVMH

Arnaud's favour: the commercial court roundly rejected the suit, and in the appeals court hearing last week the *advocate general*, in a form of supporting brief, argued strongly against the cancellation, both on technical grounds and on the grounds of Mr Arnaud's good faith as buyer.

Mr Baccamier said last week that if he loses a second time on a technicality, he will introduce a third suit. He may, however, already be too late to do so, because of a three-year limitation on such actions.

If he does not succeed, there appears to be little doubt that, as soon as the appeals court has delivered its verdict on April 26, Mr Arnaud will call a shareholders' meeting of Louis Vuitton, in which LVMH owns 93 per cent of the shares, to seek Mr Baccamier's removal. The meeting has been delayed for a year by the lawsuits, but the climax now appears to be approaching.

**By Anthony Harris
in Washington**

but responds to and attempts to guide the real economy. Since the recession has nearly become as hard to read as the weather, there has been very little change in the Fed's market stance.

This perhaps explains why the so-called Shadow Open Market Committee (SOMC), a monetarist group that has met only once a week to endorse a Fed policy which it should in theory abhor. But if the situation clarifies, and shows that the economy is after all drifting into recession (as is still very possible), then all bets will be off, and the feelings of the SOMC expressed as brutally as they were so many broccoli farmers.

He here takes on a patrician in March. The sun blazes, the flowers burst prematurely into flower,—though never before so prematurely as this year — and the city is suddenly full of lost cars with out-of-state plates. Then it snows: the blossoms come soggly down, the traffic cringes to a trickle, and a lot of people start talking non-sensical nonsense.

Footnote: The traffic, this because the natives are sorely worried by snow. The tourist traffic gets lost because Washington is a city of foggets and ravines, planned by a logical Frenchman who simply super-imposed a grid.

Result: streets with the same names, or names simply repeated, and the streets don't line up. The grid is lost, and the traffic crop up again in quite a different part of the city.

The fumes of the monetary debate behave in rather the same way, ignoring ravines in time rather than in space, but before explaining why this time the ravines are in space, I should alert non-American readers to the Broccoli Affair.

It is always hard to be sure about President George Bush, but in what appears at least to be a wholly non-political act, he has imposed escalating sanctions on the Broccoli. He banned it from the White House, and then, in the White House, and

finally went on television to explain his policy to the American people. His mother, he said, had made him eat it; and at last the voters had given him the power to right an injustice. He is now a hero to every pre-teen American, but not to the broccoli farmers — who have the vote.

This account has not convinced everyone. Why? he has been so busy with his mother exercising his vegetable rights? The gossipers have a tentative answer. This is not, they suggest, a lifelong obsession, but a more recent annoyance; and they claim to remember that Nancy Reagan, a faddy First Lady, was very keen on the health claims made for broccoli.

This gossipwork is quite persuasive. A strong sub-theme of the Bush months has been an uneasiness but fierce hostility to everything carrying a Reagan label. The President and his old chief have not socialised, and have surely behaved with the utmost degree of courtesy. Reagan appointees in senior posts were sent home in such haste that vacancies remained unfilled for months. The many doctrines which guided Mr Reagan have been dismissed just as abruptly. As the pragmatic Mr Bush might put it, let a thousand flowers

This is the context of the

annual monetary debate which is raging at the moment. The debate re-emerges with the spring each year because it is at this stage that both the Administration and the Congress, having faced the fact that there is still no agreeable way to cut the deficit, fail to thinking that if only the Fed could arrange for faster growth.... The very depressing news that the economy released last Friday will make this question seem more pressing.

All the same, the debate is rumbling rather than raging this year. It is almost impossible to stage a good knock-down monetary debate when doctrinaire attitudes are out of fashion, because the "right" is in the position of fifth rather than of analysis. Without doctrine, we are left with a mass of assertions.

Low inflation is a precondition of fast growth, intones the finetuning Mr Alan Greenspan, although there is next to nothing to back up this claim. He tells us, slogan, and much to contradict it. Japan and the UK, for example, have both grown faster in decades of fairly high inflation than in more tranquil times, while Switzerland has combined zero inflation with glacial progress. But this is not the sort of history that can sustain the reasoning the markets might lose confidence.

A firm anti-inflation policy is the best way to reduce interest rates, says Fed Deputy Chairman Paul Stanley Johnson. It took three years and a slump for Mr Paul Volcker to turn a fierce assault on inflation into an interest rate cut, but this again is an unreasonable feat. Again, monetary policy is about maintaining confidence in the dollar, and the first consideration is saving that in a global market, the Fed may not have much control over interest rates at all. (Congressmen seem to find this belief unsettling, and Mr Johnson witnesses on Capitol Hill whenever they can control rates as well as what appears to be a test of faith.)

What jobs for unemployment? The Fed has no power to create jobs, but it can control interest rates, not about stabilizing the current value of money. And if so is that value measured in commodity prices (Governor Wayne Angell) or exchange rates (Deputy Treasury Secretary John Minahan)?

Minahan's colleague, David Miller, now nominated for the vacant Federal Reserve governorship, managed to embrace nearly all the rival theories in his confirmation hearings before the Senate Banking Committee.

He even managed to combine the opposing points at issue between monetarists in one sentence when he said that exchange rates

should be determined by economic fundamentals (the interventionist US Treasury - and IMF - believe), and left to the market (as hard monetarists argue). It is a little frightening that a nominee for the Board can say this with a straight face.

Anyone trying to read American monetary policy from the above can only get confused, so the first rule to embrace is that of Grandmother's Footstep: mark what I do, not what I say. The American exchange rate policy remains what it has been since Mr Greenspan took office: to experiment with intervention in the markets.

It is very difficult to see how, between the governors (as well as between academics) about whether intervention can be sterilised - that is, whether currencies used in support operations can then be borrowed back from the markets (to control the money supply) - that such a thing as the shortage that needs to be so strong in the first place. Most officials and academics say it doesn't work (as does Mr Manley Johnson). Mr Greenspan believes that it can work and has on occasion worked. The issue will be settled pragmatically.

It is a little clearer that market policy is a bit clearer. It is, in fact, a device aimed to control any of the many measures of the money supply,

THIS WEEK

WEST GERMAN economists are grappling for metaphors in their efforts to give a suitably dramatic touch to the historic developments shaping the destiny of the two Germanys.

Although the strong vote for the conservative parties in the East German election made clear that most citizens wanted to join the West rapidly, the conditions under which they will be able to do so are far from simple.

Currency union, along with economic, social, and eventually political union, is virtually a foregone conclusion. But with few tell-tale smoke puffs from the joint commission for the new currency, speculation, guesswork and speculation has characterised much of the discussion.

This especially applies to industry, where is hardly any reliable information on the real state of the ramshackle East German economy.

For economists, the situation is frustrating. On the one hand, an exciting shift from a centralist command economy to one based on the free market is about to take place. On the other, however, they have no proper yardsticks by which to assess or measure this.

Thus they are often forced to be descriptive rather than interpretative. Mr Klaus Wierners, chief economist at Westdeutsche Landesbank, adopted a nautical tone when setting out his ideas of how the economy should be strengthened, likening the process to the sailing of a ship with different decks for the various grades of passenger.

His point was that the East German economy, with its technically and administratively backward industry, must not hastily move to the same environmental, regulatory, social security, and

employment standards as the West immediately after unification. Much of the public money now funnelled in West Germany to various regional and sectoral interests would, therefore, be required for East German needs.

Reinforcing the nautical approach, he said improvisation, readiness to learn, and pragmatism were needed, with citizens of both Germanys accepting that there is no time for delay. "Each abrupt shift of weight will let water into the boat, and give people wet feet or worse."

Getting wet fast is probably the least that East Germany can expect if economic revival gets under way. Those wanting to keep dry have crossed to the West. It is the danger of the something "worse," namely mass unemployment, that the experts, especially those preparing for currency union.

"They, too, have been hampered by the lack of hard-and-fast data. Having presented an interim report, they will not meet again until October, when the new Berlin Government, which can appoint new members.

On the sensitive savings and pensions issues, it looks virtually certain that a one-for-one conversion between the finney East German Mark and the powerful D-Mark will occur. WestLB reckons some 130bn D-Marks are already in the quarters of East German sav- ings, will be frozen to prevent a buying stampede. This could gradually be absorbed when shares and bonds are created, and people can buy property or start businesses.

That, however, is likely to be the easy part. What happens to the industrial groupings? They have to be reorganised in a competitive world. Their goods have mostly been sold in Comecon, often on virtual bar

ter terms, their degree of vertical integration is incredibly high by western standards, and they have little control over their finances. WestLB reckons the East German economy will need at least Dhs200 bn (\$150 bn) to get to a state the Stahl trust covets.

But if the groupings were subjected to a one-to-one conversion rate, they would be financially wrecked, as Bundesbank president Hans Eichel of the Pohl has emphasised. The currency experts have to guard against this. It is one thing to reassure small savers. It is quite another to hang on to some of the country's wealth, which would be a serious system to smother.

For many East Germans, the main, if crude, test of political and economic unity will be the standard of living they enjoy. Now, there are at best disadvantages, as a comparison of purchasing power shows all too starkly.

For groceries, the difference is not too big. It is when it comes to consumer goods that a yawning gulf opens up. According to the latest figures quoted by the IW economic institute in Cologne, an East German must work nearly 215 hours for a refrigerator (against 80 hours in the West) and a staggering 739 hours, around four months, for a colour television (83 hours or two weeks in the West).

This distortion in German living standards helps explain why the election in the East produced such an overwhelming vote for unification. Rapid currency and economic union is designed to check the exodus of people to the West. But whatever the final formulae, it is the goods in the shops, and the affording for that, that will ultimately count for those who stay.

Andrew Fisher

financial and market developments and meetings of the leading industrial countries. This week because - apart from Japan - few significant indicators are published in the leading industrial countries.

By the time European markets open today, the Japanese equity and foreign exchange markets will already have registered their first reaction to the outcome of Friday's meeting in Los Angeles between Mr. Nicholas Brady, the US Treasury Secretary, and Mr. Ryutaro Hashimoto, his Japanese counterpart.

The meeting took place against the background of the recent sharp declines of the Japanese stock market and the yen, which lend added significance to this week's statistics.

Although the week may be fueling concern about Japanese inflation.

According to Nomura Research Institute, Tokyo consumer prices in March, due on Friday, are expected to continue an upwards trend, although a slower rate than February's annual 3.9 per cent rise.

In the US, analysts will be able to compare Wednesday's update of fourth quarter gross national product with Thursday's data for personal income and consumption in February. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is that personal income will be by 0.8 per cent and consumption by 0.4 per cent.

Fourth quarter GNP is seen growing a real 0.9 per cent, unchanged from earlier estimates, with the deflator at 3.2 per cent.

In Britain there was a somewhat more positive appraisal last week of Chancellor John Major's first Budget after the Prime Minister's initial thumbs down.

However, there was also some scepticism that the Budget was technically oversold in which case it could be vulnerable to second thoughts about the British Government's political difficulties in the week ahead.

Other events and indicators (with MMS consensus in brackets) include:

Today: France, industrial production for January, West Germany, import and export prices for February.

Tomorrow: US Treasury official briefing on the Budget to the House of Commons Treasury and Civil Service Committee, US Federal Open Market Committee meets in Washington, Japan, leading indicators.

Wednesday: US Treasury starts discussion of budget and economic laws.

Wednesday: US, fourth quarter after tax corporate profit, new home sales for February (up 5.3 per cent), Japan, industrial production, February, UK, annual rate of inflation.

Thursday: Bank of England governor of Bank of England, testifies to Commons committee on Budget.

Thursday: US, Senate Finance Committee Hearings on decline in corporate tax revenues, US, Bureau of Economic Bank Council releases fortnightly meeting cost of living index, preliminary for March.

UK, New vehicle registrations for February, energy trends for January, London sterling certificates of deposit, bill turnover statistics, Sterling commercial paper figures and final monetary statistics for February.

Friday: US factory goods order, February, Fed releases minutes of February FOMC; West Germany, trade balance and current account for February, Japan, current account, trade balance, unemployment and national consumer prices for February; Australia, current account for February, UK, West German-British government consultations in London, Ireland, European Community economics and finance ministers start informal weekend discussions at Ashford Castle to discuss European and German monetary union.

Saturday: West Germany, I.G. Metall wage contracts expire.

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Japanese help keep blues at bay

THE TOKYO equity market may have been heading down last week and ethnicentric Americans may have moaned yet again as the Japanese announced plans to buy another piece of the American dream - the 7-Eleven convenience store chain - but savvy players in the US bond market had good reason to be a trifle more appreciative of the great capital exporters from Nippon.

The reason? The Japanese, according to analysts and rumour-mongers alike, helped stave off a bout of the blues in the US Treasury bond market by picking up significant quantities of zero-coupon Treasury paper and shorter-term notes even as market attention focused on the release of the latest US inflation and trade figures.

The inflation figures - a 0.5 point jump in February's consumer price index (CPI) that made for a 4.6 per cent annualised rate (excluding food and energy) - was judged a non-event by many market watchers. The trade deficit, which widened to \$9.25bn in January from a revised deficit of \$7.7bn in December, was potentially negative for the market because it included an upturn in exports that suggests a certain underlying strength in the US manufacturing sector.

These US statistics, however, were of decidedly less consequence than the heavy buying of zero-coupon Treasury bonds by Japanese investors. Reports of the buying first surfaced last Tuesday, but market insiders say it has been under way for several weeks. Of particular note has been the reported swapping of depressed Japanese government yen bonds for long-term US zero-coupons.

Analysts say this had as much to do with the "window-dressing" of Japanese accounts, ahead of the end of the fiscal year on March 31, as with a sudden appetite for high-priced paper.

Mr Michael Moran, chief economist with Daiwa Securities in New York, said the swapping took place at inflated prices and the Japanese rationale was to "avoid showing a loss on their books by not having to mark the Japanese bonds to market."

Mr Moran and others stressed that US Treasury bond prices were nudged along as much by the reports of Japanese buying as by the buying itself.

Meanwhile, the sharp falls in Tokyo equity prices saw several Japanese institutions moving into US bonds and equities and especially two-year notes. If one then factors into the equation a certain Japanese bearishness about the yen-dollar rate, it would not be surprising to see further buying of US Treasury paper in the next few weeks.

Even last week's rumour-mongering had a more Japanese than American flavour. Friday's talks in California between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, his Japanese counterpart, wound up the rumour mill so much that it almost went into tilt. Chief among the market's speculation was the notion that the Japanese might decide to issue dollar-denominated government bonds in an effort to support the yen.

A Japanese official in the delegation, however, on Friday scotched the prospect of "Hashimoto bonds."

By contrast, few people in the market were moved by comments about inflation made in Congress on Friday by Mr David Mullins, the Treasury official who is President Bush's nominee to the Federal Reserve Board. "A big yawn," remarked one analyst.

This week's ostensibly market-moving domestic events are thought likely to be equally yawn-inducing. The second revision of the fourth-quarter GNP growth figure (the first revision came out at 0.9 per cent) is hardly a cliffhanger of an issue as no one expects much in the way of revision.

The deliberations of the Federal Open Market Committee (FOMC) are, meanwhile, expected to leave monetary policy unchanged.

Why is the FOMC expected to decide for a non-decision this week? Never mind the constant stream of pronouncements about a healthy economy and fears of inflation from Bush Administration officials, say the Fed watchers on Wall Street. The reality is that the Fed is widely expected neither to tighten nor to ease credit policies at this stage.

A tightening of credit in spite of all the rhetoric by would-be inflation-busters would have to take account of continuing uncertainty about

the overall economic outlook, notwithstanding the generalised impression that the economy is actually stronger than had been forecast.

According to analysts at Donaldson, Lufkin & Jenrette, a tightening of credit would also go against the objective of pushing down the dollar's foreign exchange market value, with attendant implications for trade.

Where does all of this leave the US government securities market? The consensus view is that the market is "lacking in conviction." Last week closed with modest gains for the long bond, but the market's lacklustre tone is likely to continue this week.

Once again, therefore, the US credit markets are being driven primarily by non-US events. Since the beginning of this year Bonn and Tokyo have simply been more relevant market factors than has Washington.

Mr Mario Ramirez, a leading New York bond watcher, sums up the situation by noting that "the bond market continues to be led and dominated by events overseas." And few people expect this state of affairs to change very much in the near term.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12 months ago	12 months low
3-month Treasury bill	8.19	8.25	8.25	8.02	8.00
90-day Treasury bill	8.19	8.25	8.25	8.02	8.00
3-month Treasury note	8.24	8.26	8.26	8.07	8.05
90-day Treasury note	8.24	8.26	8.26	8.07	8.05
3-month commercial paper	8.27	8.30	8.30	8.05	8.05
90-day commercial paper	8.27	8.30	8.30	8.05	8.05

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on Wk	Yield	1 week ago	4 wks ago
3-month Treasury	97.4	+0.1	8.25	8.25	8.25
90-day Treasury	97.4	+0.1	8.25	8.25	8.25
3-month Treasury	100.4	+0.1	8.24	8.24	8.24

Money supply: In the week ended March 12, M1 fell by \$4.2bn to \$282.5bn.

NRI TOKYO BOND INDEX

	24/70	7/89	Last	12 wks	24 wks
December 1989 = 100					
3-month Treasury	101.26	7.45	102.08	107.26	104.13
90-day Treasury	101.26	7.45	102.08	107.26	104.13
3-month Treasury note	101.26	7.45	102.08	107.26	104.13
90-day Treasury note	101.26	7.45	102.08	107.26	104.13
3-month commercial paper	101.26	7.45	102.08	107.26	104.13
90-day commercial paper	101.26	7.45	102.08	107.26	104.13
3-month government bond	101.26	7.45	102.08	107.26	104.13
90-day government bond	101.26	7.45	102.08	107.26	104.13
3-month corporate bond	101.26	7.45	102.08	107.26	104.13
90-day corporate bond	101.26	7.45	102.08	107.26	104.13
3-month foreign bond	101.26	7.45	102.08	107.26	104.13
90-day foreign bond	101.26	7.45	102.08	107.26	104.13

Source: Reuters Research Institute

UK GILTS

Uncertainty still clouds outlook

PERHAPS the worst is over for the gilt market. After a week that looked like a muddy assault course, with the Budget, trade and inflation data, and a by-election, this might be a reasonable assumption.

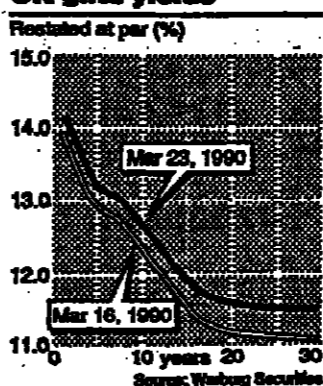
But very little is any clearer than it was last Monday. Funding policy and prospects for sterling's entry into the exchange rate mechanism (ERM), inflation and the macro-economy are still clouded. The market received two main surprises: the reduction in the public sector debt repayment (PSDR) to £7bn in 1990-91, and the factoring into inflation projections of the community charge and duty increases.

The presumption that things have now bottomed out and are poised for a relatively untroubled last week. The fact that ERM entry is a "when" not a "whether" has been known since Madrid; the conditions for entry remain the same, and one of them is low inflation.

There is plenty of scope for steady surprises in the foreign exchange markets. Last week's trade figures really presented only a return to trend, not a significant improvement. An agreement between the Group of Seven countries would help, but is no substitute for the EMS.

So how much of this has been "discounted"? Nominal yields may be historically high, but according to some analysts not high enough. Calculating real yields - a speculative and slightly mystical affair, which wags round will be bloody, and

UK gilts yields



there are fears in the market of a wage-price spiral.

Is sterling safe? The pound has escaped relatively unscathed last week. The fact that ERM entry is a "when" not a "whether" has been known since Madrid; the conditions for entry remain the same, and one of them is low inflation.

There is plenty of scope for steady surprises in the foreign exchange markets. Last week's trade figures really presented only a return to trend, not a significant improvement. An agreement between the Group of Seven countries would help, but is no substitute for the EMS.

So how much of this has been "discounted"? Nominal yields may be historically high, but according to some analysts not high enough. Calculating real yields - a speculative and slightly mystical affair, which wags round will be bloody, and

inflation from the nominal yield - gives an indication of what the investor is getting for his money, and allows an international comparison.

This is ultimately a question of judgment, though the figures turn out to be similar. Goldman Sachs takes into account an inflationary expectation of about 7.2 per cent over the next year, roughly the same as the Treasury's forecast for end-year.

This produces a real yield plus risk premium on 10-year gilts of just over 5 per cent. This is not historically high - it is lower than the peaks of 1987 and 1988 - nor, they say, is it high in relation to other countries.

Considering that perhaps 100 to 120 basis points should be added in Britain for political risk, they estimate that long gilt yields have some way to go. Internationally, taking into account the political aspect, gilt holders are receiving little compensation for the extra risk they are undertaking.

Phillips and Drew perform the same tricks on slightly different calculations. They use the index-linked 2 1/2 per cent 2020 as a proxy for real yield, which is running at 4 per cent, and work out the current risk premium at nearly 1.5 per cent.

They also conclude that yields may have to increase to incorporate the political risk element, and certainly show no signs of coming down.

Mr Michael Hughes, of Barclays De Zoete Wedd, puts the real yield figure at just over 6

per cent, higher than the others, and is thus more sanguine about the prospects for nominal yields. Real yields in the US are running at about 5 per cent, he says; the extra 1 per cent is for Tory wobbles.

These analyses suggest that both politics and inflation may have more to add to long-term gilt yields. It is not just the risk of the Government losing the next election, or of the associated uncertainty. Political risk lies also in Tuesday's "back-benchers' Budget," in the community charge concession to Scottish voters; in the possibility of an early cut in base rates to appease mortgage payers; and, if the pressure from spending ministries continues, in a lower-than-expected PSDR.

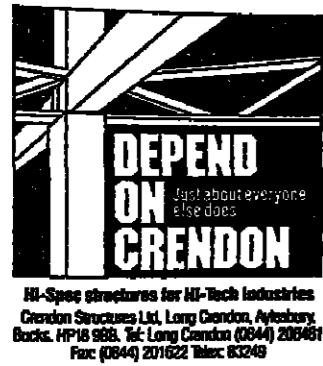
Real yields in other countries could come down, either because of increasing inflation or declining nominal yields. Mr Hughes argues that gilts may indeed become more attractive for the latter reason; the German economy may be slowing down, fears of rising inflation there may decline, and interest rates may fall, making gilts look relatively attractive.

Whether it is long rates that go up, or short rates that come down, the yield curve looks set to continue flattening. With no important statistics expected, the market will have time to reassess a gloomy week and may find it lacking in the reassurance necessary to underpin present yields.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

ALBERTA PROV. 10% 1991	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1992	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1993	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1994	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1995	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1996	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1997	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1998	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 1999	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2000	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2001	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2002	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2003	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2004	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2005	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2006	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2007	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2008	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2009	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2010	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2011	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2012	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2013	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2014	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2015	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2016	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2017	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2018	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2019	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2020	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2021	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2022	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2023	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2024	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2025	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2026	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2027	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2028	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2029	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2030	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2031	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2032	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2033	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2034	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2035	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2036	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2037	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2038	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2039	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2040	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2041	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2042	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2043	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2044	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2045	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2046	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2047	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2048	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2049	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2050	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2051	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2052	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2053	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2054	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2055	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2056	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2057	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2058	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2059	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2060	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2061	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2062	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2063	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2064	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2065	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2066	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2067	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2068	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2069	100.00	100.00	100.00	100.00	100.00
ALBERTA PROV. 10% 2070	100.00	100.00	100.00	100.00	100.00



Scheme to redevelop in Fulham

KYLE STEWART has begun work on three contracts totalling £16m for Tesco Stores, the Post Office and Stewart Osborne Developments.

Work has begun on a \$9.8m contract for Stewart Osborne Developments, a joint venture between Kyle Stewart Properties and Osborne Developments, to redevelop a 2.75 acre site at Munster Road, Fulham. The scheme includes business and residential accommodation. Business units totalling 75,000 sq ft with on-site parking will be available in a freehold or long leasehold basis.

There will be 42 houses and flats with secure underground parking. The project is due for completion in July 1991.

Refurbishing Tesco store

The Tesco store at Baldock, Hertfordshire, is being refurbished and extended under a \$5m contract. The store is built behind the listed facade of the former Kayses Book factory, which was completely demolished except for the facade when the original Tesco store was built.

The extensions increase the total store area from 75,000 sq ft to 105,000 sq ft. Existing below-floor refrigeration ductwork is being extended to suit a re-arrangement of the sales floor layout and a new entrance will be formed through the portion of the front elevation. Work is due for completion in June 1990.

Work has begun on a \$1.5m contract to replace the roof and ceiling at the mechanised letter office in Watford, Hertfordshire, for the Post Office. The project involves stripping off the sheet metal roof, installing new north light glazing and replacement with aluminium mill-finished metal coverings.

PARLIAMENTARY

Today
Commons: Conclusion of Budget debate.
Motions on Personal Community Charge Relief Regulations.
Lords: Education (Student Loans) Bill, report.
British Railways (No. 3) Bill, second reading.

Tomorrow
Commons: Motion for Easter adjournment.
Consolidated Fund (No. 2) Bill.
Lords: Strathclyde Regional Council Order Confirmation Bill, third reading.

Wednesday
Commons: Social Security Bill, remaining stages.
Lords: Debate on "Problems of the Community Charge".
Debate on Inspector's report on House of Fraser Holdings.
Question to Government on council house rents.
Select committees: Defence: subject, defence implications of changes in Eastern Europe. Witness: Mr Tom King, Defence Secretary. (Room 8, 10.30 a.m.)

Thursday
Commons: Social Security Bill, remaining stages.
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Question to Government on council house rents.
Select committees: Defence: subject, defence implications of changes in Eastern Europe. Witness: Mr Tom King, Defence Secretary. (Room 8, 10.30 a.m.)

Friday
Commons: Private members' bills.
Lords: Education (Student Loans) Bill, report.
British Railways (No. 3) Bill, second reading.

CONSTRUCTION CONTRACTS

Offices for Eagle Star

Eagle Star Insurance has awarded a £20m contract to MOWLEM BUILDING for the construction of a 100,000 gross sq ft office building at 63 St Mary Axe, London EC3, to be occupied by Eagle Star.

The seven-storey building will have a two-level reinforced concrete basement with a steel frame superstructure, clad in granite and Portland stone finish.

The upper seven stories will have a 66 ft by 40 ft clear span

floor area with one corner of the building featuring a glazed staircase enclosure. As the site traverses the 19th century iron gate main sewer special attention has been paid to the design of the lower structure.

The lower basement perimeter is being retained by a contiguous piled perimeter wall which is constructed to either side of the sewer, splitting the level into two. The upper basement spans both the sewer and lower floor.

Because the site contains the projected line of the original Roman London Wall, Mowlem Building and Eagle Star have been excavating the area in collaboration with archaeologists from the Museum of London.

The client is being advised by Speyhawk Development Management, which is the project manager for the development. The scheme, designed by the Building Design Partnership, is scheduled for completion at the end of 1991.

Balfour Beatty Group wins £30m

Three companies from the BALFOUR BEATTY GROUP have been awarded contracts totalling over £30m.

A £10m contract has been awarded to the transmission division of Balfour Beatty Power for the refurbishment of Kintore-Tealing LS 275kV overhead transmission line on behalf of the North of Scotland Hydro Electric Board.

The work, which will be completed by September 1991, involves replacing the twin 175mm ACSR conductors with a single 700mm AACR aluminium conductor over a route length of 100kms.

Three overseas contracts have been awarded to Balfour Beatty Power by the roads and

highways department via the Crown Agents totalling \$750,000 for the design and supply of Callender-Hamilton bridges to Bangladesh.

British Broadcasting Corporation has placed a \$380,000 contract to refurbish and extend an 11kV overhead line for the European Space Agency new tracking station on Ascension Island.

Balfour Beatty Building has been awarded five contracts totalling £16.7m. The largest, valued at £7.6m, was placed by developer Lordbourne to build phase 3 of the Centaurus business park in Ottery, Middlesex. The scheme involves the construction of a 6,350 sq metre (gross) three-storey office

building and will be completed in March 1991.

Mersey Regional Health Authority has awarded Balfour Beatty Building a design and build contract worth £4.5m to construct the cardiothoracic centre in Liverpool.

The work, which will be completed in March 1991, involves the design and building of a two-storey nucleus block containing 84 beds and a separate unit of two-to-five-bed wards. It is scheduled for completion in March next year.

London Industrial has awarded Balfour Beatty Building a £2m contract to build the Brookley business centre in London SE4.

R.M. Douglas builds Asda superstore

A \$5m contract from Asda Stores for new build and extension work at a superstore in Reading is among £22m orders won by R.M. DOUGLAS CONSTRUCTION.

The work comprises an extension, and alterations, together with construction of a shopping mall. The mall will be based on a steel A-frame design with a glazed atrium and will accommodate a variety of shops.

Another award is a \$4m con-

tract from Scottish Metropolitan Developments for the construction of a business centre at Thame Park. The centre will consist of three two-storey office blocks and two industrial units set in a network of roads, car parks and landscaped areas.

As part of a Taylor Woodrow management contract, Douglas has already started work on a \$3.3m swimming pool and sports hall for Legal & General in Kingswood, Surrey.

The hall will be constructed below ground while the pool will be partially sunken.

Two smaller awards in South Wales are together worth £2.8m.

The larger, for W.H. Smith, is for a 4,000 sq metre DIY store in Cardiff. The project includes construction of a retail area, offices, a garden centre and car parking.

The other contract is for a £1m sports pavilion in Neath for the Borough Council.

Nissan's parking and storage space

SIR ROBERT McALPINE AND SONS has been awarded three further design and management contracts totalling \$3.4m by Nissan Motor Manufacturing (UK) for external work at its car manufacturing plant in Sunderland, Tyne and Wear.

The contracts cover an addi-

tional 32,000 sq metres of staff car parking at two locations; a 36,400 sq metres extension to the vehicle storage compound and 5,400 sq metres of additional test track facilities which will include handling and skid pads.

Work on the vehicle storage

compound involves 140,000 cu metres of excavation and the laying of a granular sub-base followed by three layers of road base and wearing course.

Both the existing compound and the additional area will be enclosed by a security fence.

Trade fairs and exhibitions: UK

Current					59431)	
Daily Mail Ideal Home Exhibition (01-222 9341) (until April 1)						Harrogate
				April 3-5	Fashion Fabrex - FABREX (01-244 6633)	
March 26-28						Olympia
London International Book Fair (01-494 9800)				April 3-7	International Construction Equipment Exhibition - ICE (01-487 2400)	
			Olympia			Wembley Conference Centre
March 27-29				April 8-9	International Health Food Exhibition - HELFEX (0483 426450)	
CAD/CAM International Show (01-404 4844)						NEC, Birmingham
March 29-April 1				April 9-11	Cable and Satellite Exhibition (01-496 1951)	
International Contemporary Art Fair - AET (01-496 1951)						Olympia
			Olympia	April 12-20	International Boat Show (0752 600665)	
April 2-16						Bristol
International Festival of Science & Technology (031-228 4756)						
			Edinburgh			
April 3-5						
International Conveyors & Conveyor Components Exhibition - CONVEYGOREX (0695						

FINANCIAL TIMES SURVEY



One of the world's poorest nations, Bangladesh has a record grain harvest and a competitive

advantage in manufacturing because of its low labour costs. President Ershad, after eight years in power, has no obvious challenger. David Housego reports

Ershad faces political test

AFTER THE calamitous floods that devastated and demoralised Bangladesh at the end of the 1980s, the new decade has opened on a more hopeful note.

With a record grain harvest this year, the country is close to achieving the Government's target of food self-sufficiency by 1992. The record crop, coming in the wake of the reverses inflicted by the floods, reflects long-term improvements in agriculture through more intensive irrigation, higher quality seeds and wider distribution of fertilisers.

With the competitive advantage in manufacturing that Bangladesh gains from its low labour costs, there are some signs that it is beginning to attract the labour-intensive, export-oriented industries that have provided jobs and helped raise living standards in East and south-east Asia. Garment exports have sprung from nothing to an industry earning more than \$700m of foreign exchange in eight years.

On the back of Bangladesh's success in the garments sector, the Government hopes to attract investment in toys, leather, and consumer electronics. "We want to catch the tail end of the third wave" of

Asia's export-led growth, says Vice President Mdouh Ahmed, who is also in charge of industry. He sees Bangladesh as following on the heels of Thailand, Indonesia and Malaysia. To underline this ambition, Bangladesh has recently established a "one-stop" Board of Investment, modelled closely on that of Thailand.

After the succession of *coup d'état* that marked the country's early history following independence in 1971, Bangladesh has had eight years of relative stability under Lt Gen Hussain Muhammad Ershad. With the Opposition badly divided, while the army and the Moslem clergy (in different ways both important power bases) have been carefully nurtured, President Ershad faces no obvious challenger.

But, equally, the Opposition have never allowed him to forget that he took power in a coup himself. They claim that he will not allow free and fair elections and as a result they refused to participate in the 1988 parliamentary election. They have thus denied him the popular endorsement at the polls that would give him political legitimacy and the

country the assurance of political continuity. The recent riots in the universities are a sign that Bangladesh remains a volatile country.

However, these advances inevitably remain modest in the face of the magnitude of problems the country faces. With a population of 110m and a per capita income of \$160 a year, Bangladesh is one of the world's poorest nations. On official figures, 54 per cent of the population live below the poverty line and only a quarter — maybe less — can read and write.

Over the last 30 years, poverty has sharply increased in the rural areas where 85 per cent of people live. A major cause has been the 2.5 per cent annual growth in population which has reduced the average farm size to under a hectare and increased the proportion of households without land to about 45 per cent. The World Bank calculates that even if the population growth rate

halves over the next 40 years, the total population will have more than doubled to 237m.

In economic terms, the 1980s were also a bad decade for the country which was hit by falling terms of trade and diminishing aid flows in the first part, followed by the two worst floods in recorded history in 1987 and 1988. One observer in Dhaka says: "This is a demoralised people," arguing that much of the corruption and of the shortsightedness of policy-making stem from the sense of being faced by overwhelming odds.

President Ershad, who dresses like an officer in civilian clothes and still maintains close links with the military, runs what his opponents call "a martial democracy" and diplomats a "benign dictatorship." Opposition parties are free to campaign but rarely see their views aired on television. The press publishes critical comments on the management

of the economy but not of the President. Ministers get far less security protection than in India or Sri Lanka — underlining that ethnically this is a far more homogeneous society than most in South Asia.

Politically, the floods served President Ershad well in demonstrating his human concern in the face of suffering and his qualities as a crisis manager. His authority has since been enhanced by the attention Bangladesh has had from world leaders.

In his projection of a paternal image, in his easy relations with the business community and in many of his more populist measures, he seems more like a south-east Asian leader than one from the Indian sub-continent. Ideologically, he has been casting his eyes more to Thailand and Indonesia for a model of economic growth than to India.

Initially, under the influence of the World Bank and the

International Monetary Fund, Bangladesh began to deregulate its tight-knit economy some years ago. It has privatised a good part of industry that was nationalised after independence. It has opened the country to foreign investment, removed some of the restrictions on imports and begun cutting tariffs. It is on the verge of liberalising its banking system.

As yet, these reforms have not brought the domestic or foreign investment that the Government had hoped. Bangladesh remains a country with a long record of labour unrest, bureaucratic hurdles and weak infrastructure.

It is not clear as well whether the Government has the courage to go further in pursuing reforms needed to make the economy more competitive and to cut wasteful expenditure. Over the last year it has allowed current expenditure to surge while failing to enforce the collection

of tax revenues. It has jibbed at unpopular decisions like raising gas and fertiliser prices, and closing down loss-making jute and textile mills. The result has been a sharply rising budget deficit and falling foreign exchange reserves.

Disagreements with the Fund and the Bank over the handling of short-term economic policy led the two institutions to withhold about \$500m in credits — including the first tranche of an IMF Enhanced Structural Adjustment Facility (ESAF) loan. The donor nations share the same concern — which they see as part of a worrying longer-term trend of current spending growing at the expense of development expenditure and of donor nations being called on to finance a growing proportion of current spending.

Parallel with this concern over macroeconomic policy, donors have been worried at the growing backlog of

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internationally financed development projects which have been held up by the inability of the government machinery to process them. Spending by IDA, the World Bank's soft window, fell last year to 12 per cent of the funds committed or in the pipeline.

Concern over this has come to a head because donor nations are being asked to finance two major projects in Bangladesh — a \$148m flood control programme which is the prelude to a longer term, more ambitious scheme and a \$500m multi-purpose bridge across the Jamuna.

The Opposition is too weak to exploit to the full the criticism that has emerged over the short-term management of the economy. Sheikh Hasina, the leader of the Awami League, and Begum Khaleida Zia, the leader of the seven-party Bangladesh Nationalist Party, both refused to take part in the 1988 parliamentary elections. Both movements, however, put up candidates in this month's local "upazila" elections — though the candidates did not contest under their party labels.

President Ershad hopes that their participation in the local elections — they would have lost credibility with the electorate if they had boycotted these as well — will be a prelude to their taking part in the presidential election likely to be held in March 1991. He is supremely confident of winning this. He says: "Do you think the country has any alternative to electing me? They have no alternative." He adds: "It is not in my interest to rig the poll because I don't need to rig (to win)."

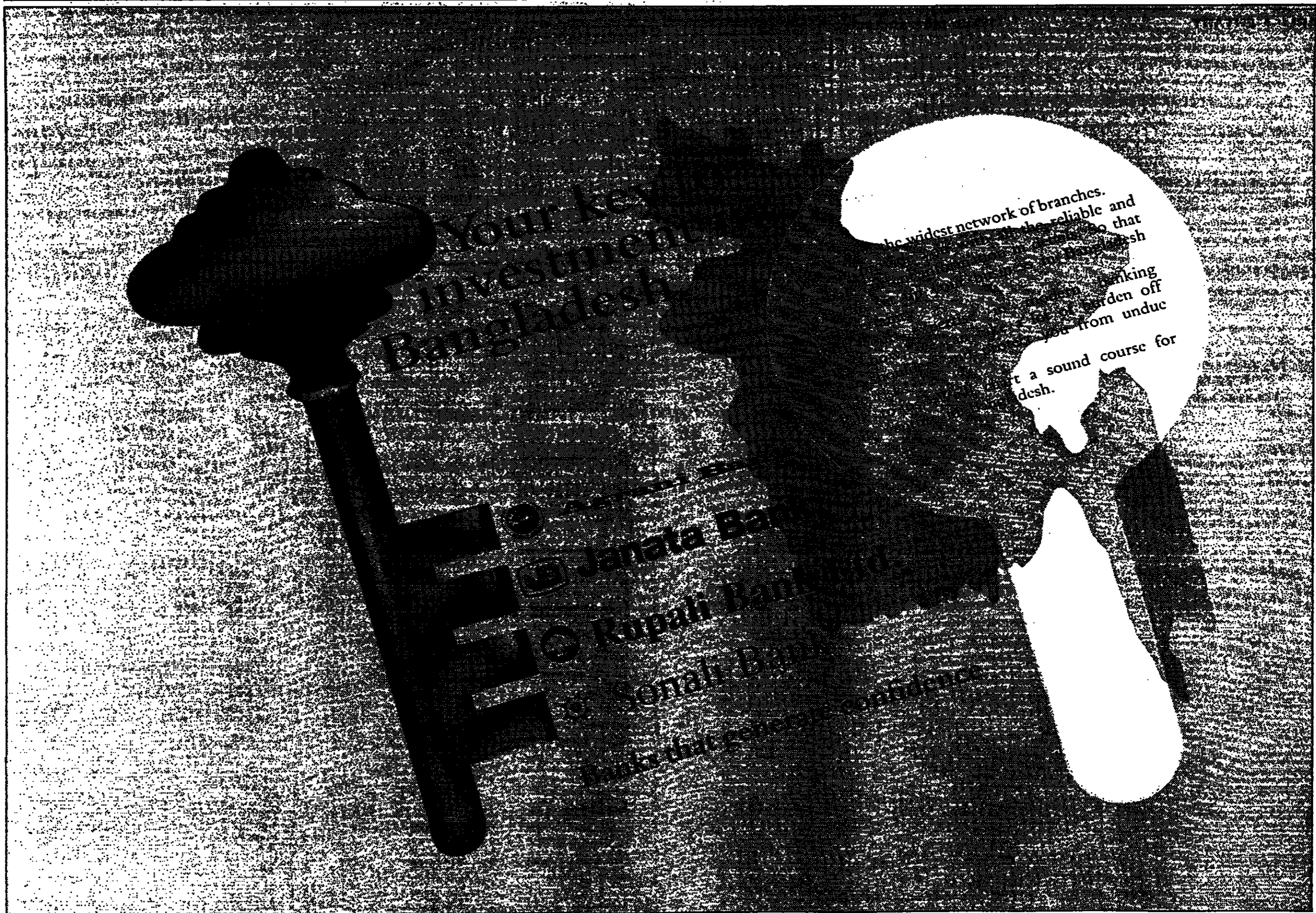
If President Ershad does come back to power with the legitimacy that comes of winning a free election, he will have the authority needed to pursue reforms even if they are unpopular. The danger is that he will be denied this legitimacy and that politics in the country could become increasingly ugly.



President Hussain Muhammad Ershad, "who dresses like an officer in civilian clothes," with his wife

Glyn Gwyn

BANGLADESH



BANGLADESH 2



Traffic on Dhaka's crowded streets

Glyn Davis

AFTER EIGHT years of low growth or of no growth at all, the Bangladesh economy has seen a substantial recovery over the past year.

But for much of the 1980s by deteriorating terms of trade, cuts in aid flows and then by two of the worst floods in recorded history, the growth of GDP has averaged 3 per cent in real terms since 1982. With population increasing at the rate of 2.5 per cent a year, this means that per capita income has remained almost stagnant. By contrast, real GDP is expected to rise by 5-6 per cent in the current financial year ending June.

Most of this growth has come from agriculture which, with a record grain harvest of 19.5m tonnes - or close to self-sufficiency - means an increase in output of 13 per cent.

Industry still remains dogged by problems of inadequate demand and over-capacity - particularly in the state-owned sector which accounts for 40 per cent of industrial assets and where the old textile and jute mills are still making heavy losses.

The bright spot is the garments industry, which is now the country's main export earner, and from which foreign exchange receipts have leapt

GDP has recovered but budget deficit is up, says David Housego

Economy slips out of control

from only \$7m in 1983 to over \$700m this year. In the wake of this snowball expansion, there are increasing hopes that Bangladesh will be able to gain a foothold in some of the other low cost manufacturing industries - such as consumer electronics, leather and toys - which are now being shed by East Asia.

But while the rebound in the economy has been a comfort to the administration, this year the major preoccupation in discussions between the Government and donor nations has been the sharp deterioration in public finances and the balance of payments which threatens longer-term development goals. Disagreements over macroeconomic management have strained relations with the donor nations and resulted in the International Monetary Fund and the World Bank withholding credits - including the first tranche of the IMF enhanced structural adjustment facility (ESAF) of about \$500m.

The main source of dispute has been the emergence of an unexpectedly large deficit of Taka 10bn (equivalent to about 1.5 per cent of GDP) in the Government's current budget after a forecast of a surplus of Taka 9bn in the initial budget estimates.

The deficit, financed by borrowings from the banking system, represents the gap between current spending and the combination of revenue receipts and foreign assistance through commodity aid.

The effect of the deficit is that donor nations are unwillingly funding both the development budget and an increasing proportion of current expenditure as well. Also because the Government's contribution to development through taka counterpart resources has fallen, overall development expenditure has declined as well. In the current financial year, spending on development is likely to fall back to about Taka 45bn - or much the same as in 1988-89 - as against

a planned Taka 58bn. More worrying is that over the longer term development spending has declined as a proportion of GDP from 13.3 per cent in 1983 to 6.7 per cent in 1988. Current spending over the same period has risen as a proportion of GDP from 6.6 to 8.1 per cent.

On the balance of payments side, the current account deficit

"Sometimes a little extravagance, a little daring is rewarded"

has widened to about 8 per cent of GDP with the foreign exchange reserves halving to \$450m - equivalent to about 1.5 months of imports. In the first seven months of the financial year (June-January), imports of non-food products grew by 43 per cent compared with the same period in 1988-89.

The Government and the donor community are at odds over the reasons why the economy has slipped out of control in this manner - especially as in the mid-1980s Bangladesh built up a reputation for sound short-term economic management. On the Government side, the tendency is to blame the budget deficit on the combination of precautionary food stockpiling after the floods - which pushed up the cost of raw materials. In March this was followed by a 5 per cent devaluation of the taka which had remained pegged to the dollar since November 1988. But the depreciation - far below the 15 per cent that the IMF was seeking - is still insufficient to make good the taka's loss of competitiveness against other regional currencies.

On the fiscal side, the Government has indicated that it will hold the deficit to under Taka 10bn this year. The Fund has said that unless it sees a serious demonstration of the Government's determination to control expenditure, it is unwilling to resume negotiations on an ESAF SDR 300m credit suspended in November. Still in dispute between the Government and the institu-

tions are issues such as increasing gas and fertiliser prices, and raising the price of diesel oil. As of January 1 the Government cut petrol prices by 40 per cent in a move that appalled the Fund but which was designed to reduce diesel consumption.

The disagreements have been serious enough for there to have been talk of postponing the normal April meeting of the Bangladesh Aid Consortium. The Government is dependent on the \$500m of commodity aid expected to be pledged at the meeting to draw up the annual budget.

But though some compromises seem increasingly likely, it would be wrong to dismiss the dispute as a storm in a teacup. In part, it represents hostility within the administration to IMF-style measures. At the same time, there is a strong temptation for the Government to boost current spending in an electoral year as a way of buying popularity. Beyond this preoccupation with short-term economic policy lies the wider issue of donor nations' concern at the slow pace of development project implementation. One reason for this is the shortage of counterpart taka funds. But the other reason is the inefficient and cumbersome administrative machinery which has resulted in the build-up of a large backlog of unimplemented projects for which aid funds have been committed. Last year the ratio of IDA funds spent in

Bangladesh compared with aid in the pipeline or committed funds to a meagre 13 per cent. This issue has come to a head with the prospect of Bangladesh taking on two further substantial projects - the \$500m multi-purpose bridge across the Jamuna River and the new programme of flood control measures backed by the international community. The World Bank is trying to ensure that before these get under way, the Government has streamlined its development programme to focus on only priority measures.

On other fronts, the liberalisation of the economy continues - but more slowly. A large wave of privatisation in the mid-1980s - 558 units were transferred - has been followed by much slower progress in restructuring and drawing the private sector into such areas as textiles, jute, machine tools and fertilisers. Public sector losses remain heavy because of difficulties in shedding labour and improving productivity.

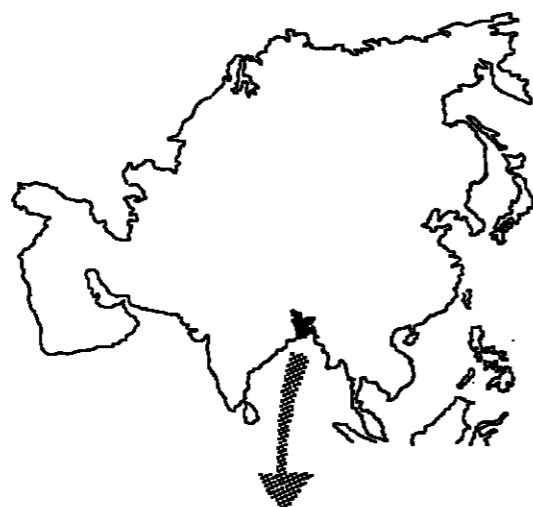
As from this year banks have been given more freedom in setting deposit and lending rates. But the local (non-for-ign) banking sector - accounting for about 92 per cent of the market - is burdened with substantial non-performing loans. A World Bank credit likely to go through soon is aimed at helping to improve the efficiency of the financial sector.

For the new five-year plan that begins this year, the Government projects what it considers a conservative average annual 5 per cent growth in GDP. If achieved, that would produce an overall improvement in living standards. But it remains well below Bangladesh's potential.

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KEY FACTS	
Population	100.8m
Land area	143,999 sq km
ECONOMY: 1989 (1988 figures in brackets)	
Nominal GDP (\$m)	19,590 (19,014)
Real GDP (\$m)	15,360 (15,305)
Real GDP (% change)	-1.5 (2.6) (1979-89)
Current account balance (\$m)	-353 (-287)
Merchandise exports (\$m)	1,212 (1,201)
Merchandise imports (\$m)	-2,838 (-2,735)
Trade balance (\$m)	-1,626 (-1,444)
Trade balance/GDP (%)	-8.4 (-7.6)
Consumer prices	10.2% (first 6 months) (9.3%)
MAJOR EXPORTS in 1988:	
Jute products (\$m)	239 (233)
Raw jute (\$m)	75 (78)
MAJOR IMPORTS in 1988 (\$m):	
Machinery and transport equipment	556 (422)
Other manufactured goods	583 (610)
Food	487 (494)
Export volume (% change)	-11.5 (14.3)
Import volume (% change)	-1.00 (13.5)
Destination of exports (%):	
US	28.0
Japan	5.7
UK	5.9
Italy	9.6
EC	28.5
Middle East	5.8
Asia	11.4
Origin of imports:	
US	4.5
Japan	15.8
UK	4.0
Netherlands	3.4
EC	11.8
Middle East	7.3
Asia	25.0
DEBT: Foreign indebtedness (\$m)	
1988	11,066 (10,257)
Interest payments (\$m)	159 (133)
Total debt/GDP	56.5 per cent (53.9)
Interest payments/exports	10.3 per cent (9.4)
CURRENCY: 100 paise = 1 Taka	
Taka 32.27 (31.73) = US\$1	

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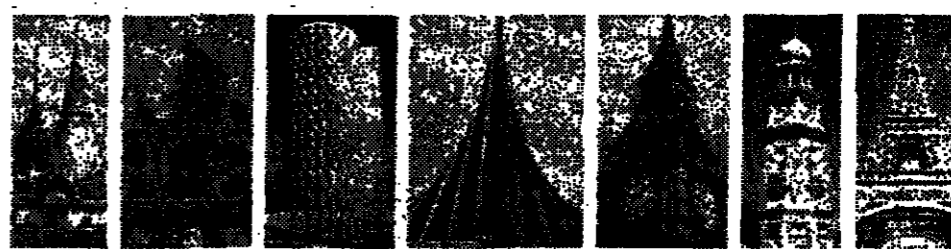
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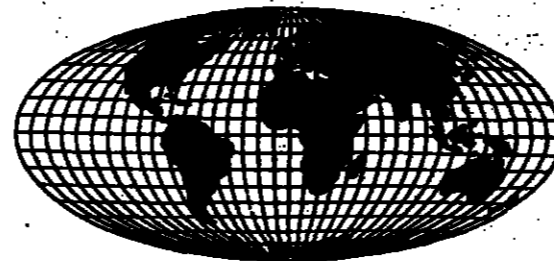
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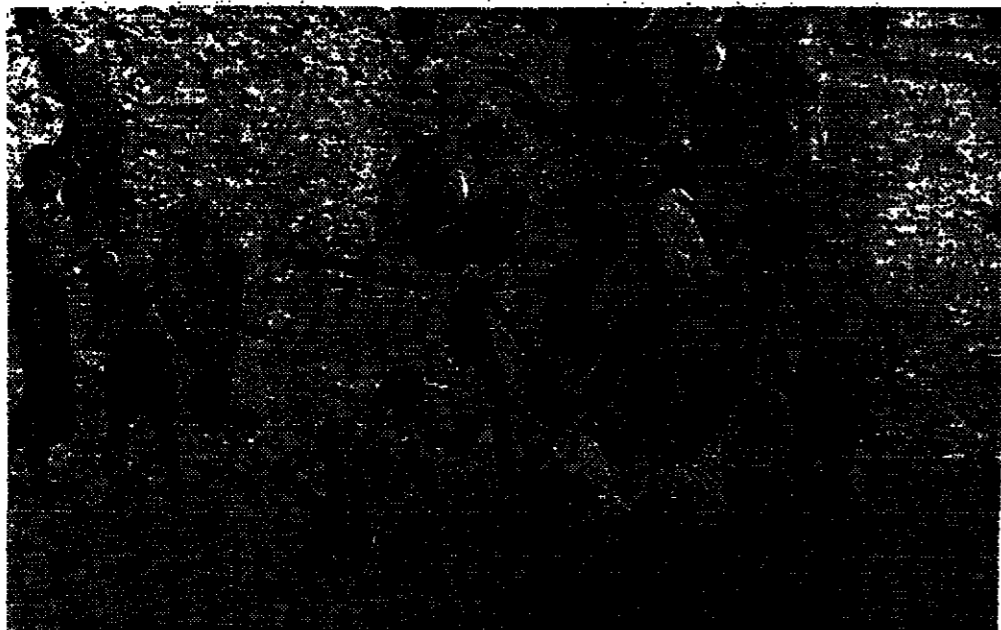
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BANGLADESH 3

David Housego assesses the impact of the floods of 1987 and 1988

World's modest hand of friendship



Life on the Brahmaputra River

Dey Gupta

THE DISASTROUS floods that hit Bangladesh over two successive years in 1987 and 1988 caught the attention of the world, as have few other natural calamities in recent times. Though the \$145m internationally financed, five-year flood control programme that emerged from this concern seems modest – particularly after the grandiose multi-billion dollar projects that were proposed at the time – it represents a realistic start towards an imaginative long-term programme.

For what was already one of the poorest countries in the world, the floods were a catastrophe. Explanations offered at the time – that they were the

result, for instance, of deforestation in the Himalayas – have not found support from studies done since. Nor is there still any real proof that the "greenhouse effect" is causing a rising of the water level in the Bay of Bengal that could lead to even worse inundations of the country.

The 1987 floods which covered more than a third of Bangladesh were largely due to intense rainfall over the north-west normally experienced every 100 or 150 years – which caused a record rise in the Ganges. About 1,800 people lost their lives with damage to crops, housing, embankments, irrigation systems, schools, fish farms and inland transport

facilities costing over \$500m.

The following year's flood was caused by exceptional rainfall in the last 10 days of August over India, Bhutan and Nepal. The result was that the flood peaks of the Brahmaputra and the Ganges – normally well separated – occurred at the same time with devastating effects below the confluence of the two rivers.

The 1988 flood inundated two-thirds of the country, causing 2,300 deaths and \$1.3bn in damage. Much of Dhaka was under water with the country's rail, road, river and telecommunications system completely disrupted.

In the wake of the flood, the Government commissioned a

study from the UN Development Programme and its own experts to assess what measures were needed that would also attract financing from the international community. This study became the basis of the "Action Plan for Flood Control" adopted by donor nations at a meeting convened by the World Bank in London in December 1989.

The other major study was commissioned by the French Government. This called for a \$100m programme of embankments along the Brahmaputra-Ganges-Meghna river system. Though impossible to finance, President Mitterrand's persistent lobbying over flood control for Bangladesh and his success in getting it put on the agenda of the world economic summit provided Bangladesh with worldwide publicity.

"President Mitterrand lent Bangladesh the prestige of the French presidency," says Mr Zahur Jamal, the assistant resident representative for the UNDP in Dhaka who himself has been a driving force behind the measures adopted so far.

The Action Plan programme is based on the belief that flood control measures should be concentrated within Bangladesh. This means the shelving of earlier US proposals that the governments of India, Nepal and Bangladesh should be involved in much more ambitious schemes for harnessing the upper waters of the river systems so as to use them for both irrigation and electricity.

Apart from the difficulties of securing agreement among the three, the flooding in Bangladesh largely stems from rainfall over the plains. Multi-purpose dams built on the headwaters would not tackle this problem.

A second principle behind the Action Plan is that flood control measures should be linked to increasing agricultural production. The assumption behind this is that donor nations would not finance measures aimed at forestalling a catastrophe that might not recur within the next 50 years.

One of the most imaginative proposals in the scheme is thus a proposal to use embankments as one wall of a "compartment" in which agriculture is developed through regula-

ting the water level and drainage.

A third key assumption behind the Plan is that flood control measures – particularly the channelling of such large water flows through embankments – could have unpredictable consequences on the ecology of Bangladesh, including its agriculture, fisheries and irrigation systems. The Plan is therefore based on pilot projects backed by testing and appraisal – a slow and piecemeal approach but one aimed at avoiding unexpected side-effects.

The other major principle behind the Plan is that both in macroeconomic terms and in handling large projects, Bangladesh already has on its hands as much as it can manage. The five-year programme is thus seen as the prelude to a further \$500m plan which in turn will be part of a long-term, 20-30 year programme.

Over the coming five years, the major effort will be concentrated on strengthening the right embankment of the Brahmaputra and improving flood control and drainage in the north-west; on further flood control along the Ganges right bank and in drainage in the south-west; and in new flood control measures for the left bank of the Meghna.

At the same time pilot projects will be carried out in areas such as "compartmentalisation," river training and fisheries. Flood warning systems are to be improved. There will also be a host of more detailed studies into the operation and agricultural and environmental impact of existing flood control schemes.

In an effort to avoid the delays that have dogged so many development projects in adopted to speed approval and implementation of the flood control schemes. This has the President at its head and involves the heads of key government departments to secure co-ordination.

Among the donor countries participating in the various projects are Japan, France, Germany, Canada, Switzerland, the US and Britain (with responsibility for the environmental study among others). Most of the projects should be under way this year.

Reazuddin Ahmed looks at the country's mainstay: agriculture

The goal of food self-sufficiency

WITH A record food crop, Bangladesh appears to be on its way to achieving self-sufficiency in food. The 1989 tonnage of foodgrain production this year is only 500,000 tons short of the Government's goal of self-reliance in food by 1992.

This year's harvest comes in the wake of two disastrous years when crops were destroyed by the worst floods in recorded history.

Agricultural output has been stagnant or fell in some cases in the past three years. But this year's 13 per cent growth reflects a long-term improvement in ground and surface water irrigation and liberalisation of fertiliser distribution.

Bangladesh is still predominantly an agricultural country, with 80 per cent of people depending on it. Mr A K Khan, Minister, Planning, has drawn a new strategy in the fourth five-year plan, scheduled to be launched in July, to diversify the crop patterns and food habits of the people. The strategy lays stress on production of more vegetables, development of poultry, dairy and fisheries to improve the protein intake of the underprivileged in the rural areas.

The poverty alleviation programme has been integrated with the development of agri-

culture which provides the largest number of jobs in the country. About 85 per cent of the people of Bangladesh are under the poverty line.

The Bangladesh Government plans to offer the 45 per cent of landless people fallow land to build houses, together with backyard poultry and vegetable farms. Moves are also being made to motivate the people to change food habits, reducing their dependence on rice.

The fourth five-year plan attaches top priority to rural development, poverty alleviation and integration of women in development activities.

The World Bank mission in Dhaka sees the possibility of achieving food self-sufficiency within a stipulated time with the present thrust on liberalisation of marketing agricultural inputs and expansion of the irrigation network.

Hardly 23 per cent of the country's arable land has been properly irrigated and the fourth plan target is to double that. If floods can be tamed, say the planners, Bangladesh can switch from its traditional food deficit to a food surplus.

The potentials were amply demonstrated in good results from the present level of irrigation. The World Bank in Dhaka, although rating the

growth as encouraging, strongly feels that the food production level has not yet been stabilised and this year's growth was largely due to favourable weather.

The agricultural sector has been given the highest allocation – 30 per cent of the outlay of taka 687bn – in the fourth plan. The basic strategy outlined in the new plan includes:

incentive prices for growers; price stabilisation for consumers; elimination of input subsidies to achieve a more favourable income distribution; improving nutritional standards; privatisation of input distribution; expansion of irrigated areas under high-yielding varieties; higher doses of fertilisers; implementation of the land reform measures.

In 1986-89 the Bangladesh Government initiated measures to remove restrictions on private trade in agricultural inputs. These changes brought a large increase in sales of major irrigation equipment and fertiliser. The abolition of import duty on irrigation equipment and power tillers boosted sales of these items.

Growing use of mechanised systems in agriculture reduced the farmers' dependence on cows for ploughing the land. With higher growth in food-

grain production in 1990 Bangladesh faces the challenge to continue growth by diversification. This may leave enough surplus grain, opening new opportunities for setting up agro-based industries to generate more rural employment.

The agricultural sector, even with a higher growth rate, is probably unable to absorb a greater labour force. The country has about 10m unemployed people. Agro-based industries are considered to be a good way of providing people with jobs. Bangladesh agriculture may get a further boost if the crop diversification programme can be pursued successfully.

Canada and the Netherlands are currently financing the diversification programme. Overall agricultural productivity still remains at a low level, although the food sector has been showing steady growth. Incentive prices to farmers and further mechanisation of the farm sector are pre-requisites for improving the overall growth in agriculture.

The large-scale use of synthetic food crops such as jute, sugarcane, pulses, tobacco and vegetables is still very low. Productivity of these crops has been either stagnant or has fallen over the past two decades. Jute is an important cash



A jute stall at Sadderghat fruit market, near Dhaka

crop in Bangladesh. It earns foreign exchange and injects liquidity into the rural economy to improve purchasing power. But unstable prices, at times below cost of production, discourage farmers from growing this raw material. Production has fallen nearly 30 per cent in the past two decades.

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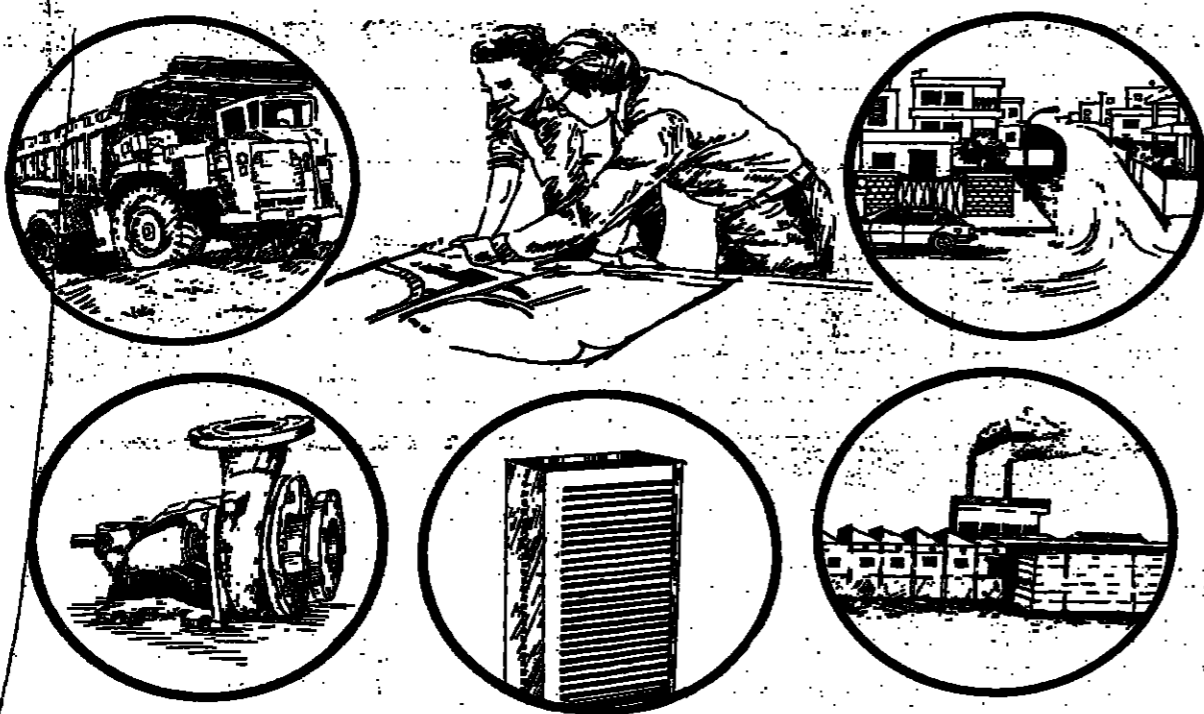
crop in Bangladesh. It earns foreign exchange and injects liquidity into the rural economy to improve purchasing power. But unstable prices, at times below cost of production, discourage farmers from growing this raw material. Production has fallen nearly 30 per cent in the past two decades.

Production of pulses has dropped alarmingly, so that last year the country spent \$5m in importing them. This year spending on pulse imports stood at \$34m. Similarly, production of onions has fallen gradually. The country will have to foot a \$5m bill to import them.

Bangladesh's agricultural policy may lay too much stress on food grain production. Growth in the sector cannot accelerate unless production of other crops is stepped up.

Overall agricultural growth has remained below the population growth of 2.4 per cent over the past five years. That has inhibited growth of the gross domestic product because agriculture contributes about 50 per cent to country's GDP.

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David Housego examines one of the country's success stories

Textiles: low-cost labour sets off helter-skelter growth

TURN DOWN a side street in central Dhaka, climb up the concrete steps of a new tenement block, and the chances are that you will step into one of the success stories of today's Bangladesh.

The garments industry has sprung up from nothing over

In the 1980s Koreans looked for a cheaper production centre

nine years into a sector employing 800,000 people and exporting over \$700m goods a year — or about 37 per cent of the country's export earnings. With a barely visible sign on the outside of the building and sometimes a warning at the door to keep visitors out, garments manufacturers have taken over a storey or two of buildings in the central city — much as in the past they did in Hong Kong, Seoul or Taipei. Young girls work 10 or 12 hours a day cutting, sewing, and fixing collars on shirts that end up in the department stores of the US and Europe. Bangladesh got into garments through Korean manufacturers who already in the early 1980s were looking for a cheaper producing centre — and one without quota problems. Shamsur Rahman

set up Youngones (Bangladesh) in a joint venture with Youngones of South Korea to manufacture ski-wear before expanding into his own fully-owned garment group, Stylecraft.

Murid Kader Khan, a former senior civil servant, set up Dosh in Chittagong — the other major garments centre — and sent 120 people for training with Daewoo. Other Korean manufacturers to enter an industry that is dominated by shirts were Dosung and Shiman.

Bangladesh's key advantage is its low-cost labour. Stylecraft pays Taka 650 (about £13) a month for a girl just starting and Taka 2,500 for an experienced operator. Its low end of the market shirts sell at \$31.50-\$3.50 a dozen and its top quality ones at \$5.50 each (to buy them in a New York department store you would probably have to pay \$27.98). Other manufacturers reckon that at the low end of the market Bangladesh is \$0.9 cheaper than Hong Kong and \$3.4 cheaper than Sri Lanka. Its other main advantage is that garments exports from Bangladesh to Europe are still not subject to quotas — though manufacturers believe that will change as the industry continues to grow and the 1992 landmark in Europe for the creation of the single market

draws near. With as yet no back-up industry, garments manufacturers have to import virtually all they need — from cloth to buttons. The Government demands a minimum 25 per cent value added — which is in effect the cost of

In Chittagong, Tootal is setting up a polyester factory

the labour. Profit margins are slim, with a 3-5 per cent mark-up being the norm. In what has been a period of helter-skelter growth, some 750 units have been set up. The Government allows foreigners to hold 100 per cent equity. But many of the smaller local units have run into trouble through difficulties over bank financing, delays at the customs, pilfering and failure to meet shipment dates. Stylecraft says it has kept its head above water by an unyielding insistence on quality. As a result of what Mr Rahman calls the "untold miseries of the garment industry", many manufacturers have gone broke. This has led to some consolidation, with the stronger companies taking over several of the

weaker ones. In any case, many of the smaller units lack the marketing skills or the knowledge of the international textile trade to hold their own against the agents which are the dominant force on the purchasing side.

With the industry now a substantial size, backward integration is beginning. Tootal of Britain is establishing a polyester and cotton thread factory at Chittagong to supply both the domestic market and the garments exporters. Other manufacturers are diversifying into different export sectors where there is the same premium on cost, quality and fast turn-around times. Mr Rahman, for instance, is discussing with General Electric of the US the possibility of making digital telephones for the US market. With jobs in short supply in Bangladesh, employers can dictate terms to their workers. In some factories girls of 12 (and possibly younger) are taken on to work an official eight-hour day, which often extends to 10 or 12 hours. As against these abuses, one benefit to which officials point is that in areas where the garments industry has grown, the birth rate has fallen. And the country's population explosion is probably its single greatest problem.

Profile: MOHAMMADI GARMENTS

Men who make the shirts

MR Anisul Haq, who runs Mohammadi Garments with two partners, set up the company four years ago on a loan guaranteed through his father's civil service pension. His two partners sold their wives' jewellery as their contribution to the start-up capital.

Mr Haq believes quality is higher with a male workforce

Mohammadi now employs 1,500 people, has sales of over \$10m a year and reckons that it is one of Bangladesh's top five garments exporters. Mr Haq decided to set up on his own in 1985 after working as marketing director with another garments group. His two partners were also already involved in the industry — the production director being among the small group of Bangladeshis who were sent by Dosh Garments to Korea to learn from Daewoo, the Korean conglomerate and textiles giant. In 1985 they began with

orders from a US and a German group, a letter of credit from the bank and a labour force of 53. "We were able to secure orders because of our combined experience and because we were known," Mr Haq says.

Though government policy is to support the garments sector, Mr Haq says that bureaucratic procedures are still a nightmare for manufacturers. Before bringing cloth into the country a manufacturer is required to provide both a "risk" bond and an "import" bond. Under the import bond he guarantees to pay 250 per cent of the cloth if it is not re-exported. If a manufacturer decides to shift production from one factory to another to meet tight delivery times, he has to return to the customs to get a further bond. Notwithstanding the difficulties, Mohammadi has expanded from one factory to six. The others have been purchased from garments manufacturers who had to quit after making losses. In addition Mohammadi sub-



contracts work to another eight factories. "About 85 per cent of the company's production comes from shirts. In the US it sells to K-Mart and Oxford Industries at the lower end of the market and to Blue Print at the upper end. Last year Mohammadi purchased Taka 10.2m worth of US quotas from other Bangladesh garment manufacturers. "We live five months of the year from US quotas and the remaining seven from sales to Europe," Mr Haq says. Part of Mohammadi's strength is a knowledge of the international garments market. Mr Haq flies to Hong Kong and Bangkok to see

buyers as well as meeting them in Bangladesh. At one of its Dhaka factories, Mohammadi provides samples of shirts copied from models in fashion in the US and Europe. The group's marketing strength means that it is not dependent on intermediaries from Korea or Hong Kong to

Women are given headscarves to cut the risk of accidents

provide orders. "The factories are considered one of the Bangladesh industry," Mr Haq says, "because of the low margins they allow." Mohammadi is unusual in that its first factory had an all-male work force. Mr Haq believes that in the garments industry quality is higher with a male workforce — the only problem being that the turnover of staff is greater. Mohammadi is one of the textile groups that pays particular attention to providing employees with uniforms and head scarves in the case of girls, to cut down the risk of accidents. With demand so buoyant, Mr Haq says that his company could easily increase its labour force by a third but he does not want the additional responsibility of taking on more factories. Nevertheless, Mr Haq is considering the possibility of expansion in other industries being shed by East Asia, such as toys and luggage.

David Housego



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Tel: 01-908 5353/4
Telex: 916854 Monno G
Fax: 01-908 3005

HEAD OFFICE:
MONNO CERAMIC
INDUSTRIES LTD
H.R. Khan
Chairman
9, Wyre Street,
Wari, Dhaka - 1203
Bangladesh
Tel: 230387/833354
Telex: 642467 MONNO BJ
Fax: 880-2-853529
PABX: 23834071



TCB TRADING CORPORATION OF BANGLADESH

Working as the National Trading House since independence of Bangladesh. Devoted to promote export of Bangladesh products with special emphasis to new markets & to serve the Nation through imports in stabilising prices of essential commodities.

For any information Please contact :-

TCB Bhaban. Phone: 325032, 325039
Kawran Bazar. 327027, 326290
Dhaka. Telex: 642217 TCB BJ
Bangladesh. 642203 TCB BJ
FAX: 880-2-813552

Chittagong Port— a favourite port of call in the east



For over a century now, we have carried out our port's operations efficiently in meeting diverse shipping requirements of innumerable ocean-going vessels, mercantile and others.

Our modern in-port communication system and advanced facilities make us more than adequately prepared for taking charge of handling any nature and load of cargo smoothly in minimal time.

Try us.



Chittagong Port Authority

Serving a developing world

BCC—the Bank of Credit and Commerce Group was born International. A special commitment to service—better service, devotion and sincerity of involvement have earned it the reputation of being a local bank internationally—a fact which has certainly helped its growth. The BCC Group now has offices in 13 countries, capitalised assets at over US\$ 2400 million and total assets over US\$ 56,000 million. Whatever International banking services you need, a talk with your local BCC manager could be very useful. Speed, efficiency and your convenience are what count at BCC.

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We serve the nation nationally and internationally

Beximco, the single largest exporting house of the country, employs over 6500 persons in its 18 companies. Besides having offices throughout Bangladesh, we have branches in U. K., U. S. A., Singapore and Pakistan. Our annual turnover is Taka 3 billion and total asset exceeds Taka one billion.

Apart from being the world's largest jute yarn manufacturer, we are also engaged in marine food export, shrimp farming, pharmaceuticals, agro-chemicals, garments manufacturing, computer marketing, soil investigation, foundation and piling work, deep tubewell drilling, bridge, superstructure and road construction etc.

We welcome foreign collaboration for technological joint ventures and for investment in new fields of activities.

BEXIMCO

Committed to the economic development of the nation

Corporate Headquarters

17 Dhanmendi R.A., Road No. 2
Dhaka 1205, Bangladesh
Phone: PABX 500151-5, 861891-5
Telex: 675848 BXM BJ
Cable: BEXIMCO DHAKA
Fax: 880-2-863470



BANGLADESH STEEL & ENGINEERING CORPORATION

AT A GLANCE:

No of industrial units	: 21
Total Assets as on Dec. 1989	: US\$ 360 million.
Annual turn over	: US\$ 150 million.
Export volume in 1988-89	: US\$ 5.00 million.
Present Employment	: 14,000 Personnel.

We are a state-owned corporation engaged in manufacturing, marketing & development of following product groups:

- Steel
- Engineering
- Transport
- Electrical & Electronics
- Shipbuilding & Heavy Steel Structures.

AN INVITATION

- We invite joint collaboration for export oriented industries particularly in electronics which is a thrust sector in Bangladesh.
- We shall arrange to provide cheap skilled labour and management personnel, suitable Spaces infra-structural facilities.
- We shall also assist in formulating the project as per required Govt. protocols & shall assist in obtaining necessary Govt. approval for the project.
- If desired we may also participate in minority equity share holding subject to Govt. approval.
- Bangladesh provides congenial foreign investment climate with many fiscal & monetary incentives under her New Industrial Policy and Foreign Investment guarantee (Protection & Promotion) Act. The facility package provided are considered one of the best available in the Asian Zone.
- Manufacturers of Electronics goods, who are contemplating to expand or relocate partly or fully some of their manufacturing facilities in less developed countries to effect reduction in cost of production are requested to contact at the following address:



Bangladesh Steel & Engineering Corporation
BSEC Bhaban, 102, Kazi Nazrul Islam Avenue.
Dhaka-1215. Cable: STEEL HOUSE
Telex: 642225 BJ

WORLD STOCK MARKETS

[illegible][illegible]

NADA

Sales Stock					Sales Stock				
	High	Low	Close	Chng		High	Low	Close	Chng
20284 Lashby S	528 1/2	545	548	+ 1/2	24555 Seagull	391 1/2	40	50	- 1/2
1900 Lator B	517 1/2	515	514	- 1/2	50000 Sears Can	311 1/2	11 1/2	11 1/2	0
4000 Lator B	517 1/2	515	514	- 1/2	50000 Sears Can	311 1/2	11 1/2	11 1/2	0
25542 Lashby A	30 1/2	31	31	0	42930 Shell Can	340	33 1/2	34	0
102223 Lashby A	31 1/2	31	31	- 1/2	57000 Sherrill	33 1/2	8 1/2	8 1/2	- 1/2
2328 Lashby A	31 1/2	31	31	- 1/2	50000 Sherrill	33 1/2	8 1/2	8 1/2	- 1/2
1000 MADS A	31 1/2	31	31	- 1/2	10000 Southerns	32 1/2	25 1/2	25 1/2	0
20284 MADS A	31 1/2	31	31	- 1/2	2108 Sheraton A	310	30 1/2	30 1/2	0
10000 MADS A	31 1/2	31	31	- 1/2	50000 Sheraton A	310	30 1/2	30 1/2	0
2428 Macmillan I	317 1/2	317 1/2	317 1/2	0	10000 TCC B	310	10 1/2	10 1/2	0
10000 Macmillan I	317 1/2	317 1/2	317 1/2	0	129400 TCC B	310	24 1/2	24 1/2	0
2428 Macmillan I	317 1/2	317 1/2	317 1/2	0	10000 TCC B	310	24 1/2	24 1/2	0
2328 Macmillan I	317 1/2	317 1/2	317 1/2	0	10000 TCC B	310	24 1/2	24 1/2	0
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10000 Macmillan I	317 1/2	317 1/2	317 1/2	0	10000 TCC B	310	24 1/2	24 1/2	0
2428 Macmillan I	317 1/2	317 1/2	317 1/2	0					

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	Mar 22	Mar 23	Mar 20	Mar 20	1989/90		since complete	
					HIGH	LOW	HIGH	LOW
gleme/risk	270.69	265.92	272.92	276.74	280.15	280.15	281.15	281.15
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
New Bonds	90.63	90.64	90.59	90.73	94.15	87.35	94.15	94.15
Transport	1170.87	1138.76	1137.94	1179.09	1532.01	1091.95	1532.01	12.30
Utilities	213.72	212.97	214.98	213.75	220.25	220.25	226.23	10.30
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
qtr's: High 272.72 272.92 273.01 Low 268.05 267.47								
STANDARD AND POOR'S								
Composite 1	337.22	335.61	339.74	341.57	399.00	275.51	399.00	4.40
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
Industrials	391.34	391.56	394.23	396.35	411.20	312.66	411.20	3.60
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
Financial	27.85	27.82	28.16	28.35	35.24	24.00	35.24	8.84
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
NYSE Composite	125.45	124.78	126.82	127.71	179	124.28	179	2.46
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
Amer Midl. Value	363.61	360.48	363.15	363.62	397.03	302.54	397.03	29.81
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
NASDAQ Composite	437.25	434.51	439.30	440.08	485.73	378.56	485.73	54.87
	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)	(21/90)
Mar 16	Mar 16	Mar 2	Mar 2	year ago (approx.)				
Dow Industri. Dtl. Yield	4.00	4.08	4.26	3.70				
S & P Ind. Mkt. Yield	Mar 21	Mar 14	Mar 7	year ago (approx.)				
S & P Int. Mkt. Yield	3.05	3.09	3.33					
S & P Int. Mkt. Yield	14.57	14.80	14.74	13.17				
NEW YORK ACTIVE STOCKS								
Risks: Clinton Chape					TRADING ACTIVITY			
J. Volante					J. Williams			

	23	22	21	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	0	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572	571	570	569	568	567	566</
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	2,272,000	43%	+ 1/2						
AT & T	1,435,500	29%	+ 1/2		New York	132,070	127,570	129	
Pfizer Labs.	1,434,200	29%	+ 1/2		Ames	111,795	122,690	121	
Samuel E. Sells	1,404,000	29%	+ 1/2		BAE/BAE	101,640	146,237	131	
Parkia Chem.	1,285,200	28%	+ 1/2		James Transit	1,963	1,962	1.9	
Am. Express	1,275,500	27	+ 1/2		Ryan	672	398	5	
Western Union	1,259,800	26%	+ 1/2		Falls	1,394	1,394	1.4	
IBM	1,173,500	24%	+ 1/2		Unicomp	130	410	4	
General Electric	1,144,900	24%	+ 1/2		New Heights	19	10	10	
Walt Disney	1,143,300	23%	+ 1/2		New Lines	37	76	2	
AT & T	1,131,900	23%	+ 1/2						
LTJ Corp.	1,064,800	22%	+ 1/2						

CANADA					1980/81	
TORONTO					HIGH	LOW
	Mar	Mar	Mar	Mar		
	20	22	21	20		
Metals & Minerals	371.50	317.75	325.86	322.29	329.52 (1/2P)	292.00 (1/2P)
Chemicals	370.50	370.00	373.84	374.60	402.5 (1/2P)	330.0 (1/2P)
MONTREAL Portfolio	1900.19	1902.28	1923.58	1929.86	2059.68(21/2P)	1677.48 (31/2P)

(Note: For values of all indices are 100 except NYSE All-Company - 50. Standard and Poor's - 10; and Toronto 100 - 100. For Toronto indices based 1975 and Montreal Portfolio All-Company - 100. For 83, 1 Excluding health & industrial, plus utilities, Financial and Transportation, and Chemicals & Pharmaceuticals.)

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Stocks	Traded	Closing	Change	Stocks	Traded	Closing	Change
Higson Steel	25,000	930	+7	Toshiko	5,000	970	+
Hitech	10,000	1,400	+70	Affenzahl Etc.	5,000	1,010	+5
Kanazaki Heavy	10,500	675	0	NEC	5,000	1,000	+
Mitsubishi Hyo	70,000	800	-6	YMC	5,000	920	+
Chiyoda Corp.	10,000	2,250	+180	Tokyo	7,500	1,000	+

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July, 1915

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مکاتو، ایف

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Too much optimism and complacency

THERE WAS surprisingly little reaction on the financial markets to a bad week for the UK Conservative Government. The February trade figures on Thursday were in line with expectations and a considerable improvement on the January shortfall, but even this was qualified by doubts that Britain's once large surplus on invisible earnings will be

restored. The Treasury expects an invisible surplus of £1.5bn this year - reducing the visible deficit of £16.5bn to a current account figure of £15bn - but official estimates suggest there will be no invisible earnings for the first four months, leading to fears that the Treasury forecast is too optimistic.

The Budget on Tuesday was not well received by the markets. Mr Neil Maclean, chief economist at Yamauchi International, said there was little in the Budget to reassure markets that there will be a sustained reduction in the underlying rate of inflation. He believes the pound will weaken, making the Government's forecast of 5 per cent inflation by the second quarter of next year "distinctly ambitious".

The last blow for the Government was the loss of the Mid-Staffordshire by-election. The swing against the Conservative Party was so great that the markets appeared unable to accept the Government's defeat as anything but a very large protest vote. Mr Nick Parsons, economist at Indicia Discount, found the markets' complacency hard to justify. He fears that sterling will slide through technical support at £1.5850 and DM2.7125, turning the mood "very nasty indeed".

£ IN NEW YORK

Mar 22	Close	Previous
1 month	1.4900-1.4915	1.4900-1.4915
3 months	1.4900-1.4915	1.4900-1.4915
6 months	1.4900-1.4915	1.4900-1.4915
12 months	1.4900-1.4915	1.4900-1.4915

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CURRENCY RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

OTHER CURRENCIES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CHICAGO

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

STOCK MARKET

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

PRELIMINARY US GDP

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

EUROPEAN MARKETS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

ASIAN MARKETS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

AFRICAN MARKETS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

OCEANIC MARKETS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

COMMODITIES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

POUND SPOT - FORWARD AGAINST THE POUND

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

EXCHANGE CROSS RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

EURO CURRENCY INTEREST RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FT LONDON INTERBANK FIXING

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

MONEY RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON MONEY RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY BILLS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY BONDS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY NOTES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY DEBENTURES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY SHORT-TERM

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY LONG-TERM

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY HYBRIDS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY CONVERTIBLES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

TREASURY WARRANTS

Mar 22	Close	Previous
100	100.00	100.00

LONDON RECENT ISSUES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FIXED INTEREST STOCKS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

RIGHTS OFFERS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BANK OF ENGLAND TREASURY BILL TENDER

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

WEEKLY CHANGE IN WORLD INTEREST RATES

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LONDON SHARE SERVICE

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BRITISH FUNDS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

BRITISH FUNDS - Contd

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

AMERICANS - Contd

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

INT. BANK AND O'SEAS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

CORPORATION LOANS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

COMMONWEALTH & AFRICAN LOANS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

LOANS

Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

FOREIGN BONDS & RAILS

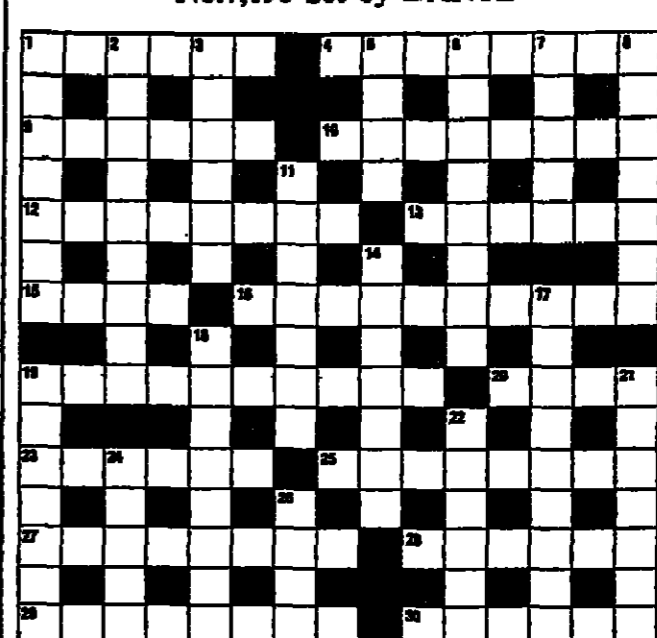
Mar 22	Close	Previous
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00
100	100.00	100.00

AMERICANS

Mar 22	Close	Previous
100	100.00	100.00

CROSSWORD

No. 7,198 Set by DANTE



- 1 Where we can get drinks and a bit for wine (6)
4 It's equipped for dispatching stock (6)
9 Star actors upset (6)
10 It defends against intrusion in place of a lock (6)
12 Sporting officials may help us get a job (6)
13 Depression after an attack, perhaps (6)
15 Gangs require a doctor qualified in surgery (4)
16 A way, and only one, to outclass all rivals (5,5)
19 Who cares, for example, between questions? (10)
20 Nothing the matter with work (4)
23 It's bound to go on foot (6)
27 Lay assembly? (3-5)
27 Shadow boxing, a contest between fighters (6)
28 Flies made in ancient undertaking (6)
28 Open clash that reveals the strength of one's hand (6)
30 Oral agreement for a rise (6)
- DOWN
2 Possibly refurbish natural tissue (4,5)
3 Abeam on a ship (6)
5 Getting out stupidly in Test is a sort of lesson (6)
7 It is evident Trevor hadn't finished getting up (5)
8 Save up to get engaged (7)
11 Some for sure (7)
14 May as well ring off - or ring on (7)
17 After work, quiet or music is timely (6)
18 Roland is involved in "As You Like It" (6)
19 Lives in a dress that is slowly (7)
21 Pen catalogue for a writer (7)
22 Holds forth when there's nothing in place on board (6)
24 He was employed in sugarcane growing (5)
26 What, perhaps, crosses ice to melt (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 7.

JOTTER PAD

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0636 43 + four digit code (listed below). Calls charged at 35p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING										BUILDING, TIMBER, ROADS - Contd										ELECTRICALS - Contd										ENGINEERING - Contd										INDUSTRIALS (Misc.) - Contd										INDUSTRIALS (Misc.) - Contd									
Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes	Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes	Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes	Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes	Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes	Market	Share	Price	High	Low	Open	Close	Change	Volume	Notes
120	Bank of England	120.00	120.00	120.00	120.00	120.00	0.00	100		120	Building Materials	120.00	120.00	120.00	120.00	120.00	0.00	100		120	Electricals	120.00	120.00	120.00	120.00	120.00	0.00	100		120	Engineering	120.00	120.00	120.00	120.00	120.00	0.00	100		120	Industrials	120.00	120.00	120.00	120.00	120.00	0.00	100		120	Industrials	120.00	120.00	120.00	120.00	120.00	0.00	100	

مكتبة الاندلس

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MINES – Contd

	Price	Week % change	YTD % Grp	L
Stock				
Dining Sp. y	145	-3.3		
INTS. y	70	-6.7		
Artion....	134	-1.8		
Gold.....	584	-1.3		
Mag 10p. y	27	-10.0		

Flu...	17	...	1
...	75	-6.3	18
...	12	...	1

CS1	147	-0.8	-
CS1	384		-10

THIRD MARKET

bird Sp..	56	1.8	12
.....	100		
.....	100		

[illegible]

er: α Alpha, β Beta, γ Gamma
Indicated, prices are in pence and
are based on middle prices, are
cent, and allow for value of dec

reduced, passed or deferred
 on the basis of application
 to the UK Inland Revenue
 limited on Stock Exchange
 same degree of regulation as
 by listed.

any of suspension
 for conversion of shares and
 readings only the restricted
 of the shares which is
 a future date.

Paris, Fr. French Francs
 January Bill Rate says uncorrected
 for reduction value, 7 Feb.
 minimum tender price.
 £ 100 is equivalent to 10 scrip issues;
 distribution.

ANAL & IRISH

bar being quoted to Irish currency

63	Arants
57	Harrell O.P.J.
53.00	Carl & J.N.
52.00	United Drug
51.00	United Drug

ADDITIONAL OPT

3-month call rates

Bank of England	59
Bank of Ireland	57
Bank of Scotland	55
Bank of Wales	53
Bank of Cyprus	51
Bank of Greece	49
Bank of Italy	47
Bank of Japan	45
Bank of Korea	43
Bank of Mexico	41
Bank of Netherlands	39
Bank of Norway	37
Bank of Portugal	35
Bank of Spain	33
Bank of Sweden	31
Bank of Switzerland	29
Bank of Taiwan	27
Bank of Thailand	25
Bank of Turkey	23
Bank of USSR	21
Bank of USA	19
Bank of Venezuela	17
Bank of Yugoslavia	15
Bank of Zaire	13
Bank of Zimbabwe	11
Bank of Argentina	9
Bank of Brazil	7
Bank of Canada	5
Bank of Chile	3
Bank of Colombia	1
Bank of Costa Rica	0
Bank of Cuba	0
Bank of Denmark	0
Bank of Ecuador	0
Bank of Egypt	0
Bank of El Salvador	0
Bank of Guatemala	0
Bank of Honduras	0
Bank of India	0
Bank of Indonesia	0
Bank of Israel	0
Bank of Italy	0
Bank of Japan	0
Bank of Korea	0
Bank of Kuwait	0
Bank of Laos	0
Bank of Lebanon	0
Bank of Liberia	0
Bank of Lithuania	0
Bank of Luxembourg	0
Bank of Malawi	0
Bank of Malaysia	0
Bank of Maldives	0
Bank of Mali	0
Bank of Mauritania	0
Bank of Mauritius	0
Bank of Mexico	0
Bank of Morocco	0
Bank of Mozambique	0
Bank of Myanmar	0
Bank of Namibia	0
Bank of Nepal	0
Bank of Netherlands	0
Bank of New Zealand	0
Bank of Nicaragua	0
Bank of Niger	0
Bank of Nigeria	0
Bank of Norway	0
Bank of Oman	0
Bank of Pakistan	0
Bank of Panama	0
Bank of Paraguay	0
Bank of Peru	0
Bank of Philippines	0
Bank of Poland	0
Bank of Portugal	0
Bank of Romania	0
Bank of Russia	0
Bank of Rwanda	0
Bank of Saudi Arabia	0
Bank of Senegal	0
Bank of Sierra Leone	0
Bank of Singapore	0
Bank of Slovakia	0
Bank of Slovenia	0
Bank of South Africa	0
Bank of South Korea	0
Bank of Spain	0
Bank of Sri Lanka	0
Bank of Sweden	0
Bank of Switzerland	0
Bank of Taiwan	0
Bank of Thailand	0
Bank of Togo	0
Bank of Tonga	0
Bank of Trinidad and Tobago	0
Bank of Tunisia	0
Bank of Turkey	0
Bank of Uganda	0
Bank of Ukraine	0
Bank of USA	0
Bank of Uzbekistan	0
Bank of Venezuela	0
Bank of Vietnam	0
Bank of Yugoslavia	0
Bank of Zaire	0
Bank of Zimbabwe	0

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on Page 41

مكتبة المجلد

NASDAQ NATIONAL MARKET

Stock	Dr.	Sales	High	Low	Last Chng	Stock	Dr.	Sales	High	Low	Last Chng	Stock	Dr.	Sales	High	Low	Last Chng
AWB Ed	26	720	81	84	82	—	—	—	—	—	—	—	—	—	—	—	—
Chang	15	100	10	10	10	10	10	100	10	10	10	10	10	100	10	10	10

[illegible]

3pm prices
March 22

[illegible]

FINANCIAL TIMES
EUROPE'S BUSINESS LEADING PAPER

The Business Column

Chances for outsiders in Japanese market

WHEN COCA-COLA first sought to enter the Japanese market in the early 1960s, it was warned that its normal sales methods would never work there. Undeterred, it bypassed local distributors and spent five years training Japanese bottlers to do things its way. Today, its distribution system is among the most efficient in the country and more profitable than its American one.

More than two decades later, when Unilever test-marketed Timotei shampoo in Japan, the initial response was discouraging. Yet the company decided to launch the product there anyway. In two years it was the country's best-selling shampoo, with 15 per cent of the market and access to three quarters of top retail outlets.

Such successes show that, with persistence and enterprise, western companies can overcome the supposedly insuperable obstacles to doing business in Japan. Indeed, more than 1,000 foreign companies have wholly- or partly-owned affiliates there, with sales of \$120bn and 260,000 employees in 1987.

Mid-life crisis

But the challenge nowadays may be less how to enter the Japanese market, than how to stay there. Writing in the McKinsey Quarterly, Mr Kevin Jones, of the management consultant's Tokyo office, argues that as foreign affiliates mature, they frequently display symptoms of mid-life crisis.

Most foreign companies first break into Japan either because they possess a clear technological edge or because they manage - often against difficult odds - to introduce a novel product or business concept. But too many fail to build on this early success.

A common pitfall is to underestimate the ferocity of domestic competition. Though Fuji-Xerox and Procter & Gamble respectively pioneered the Japanese markets for photocopyers and disposable nappies, their early dominance was quickly eroded. Four years after Timotei was launched in Japan, 40 per cent of its market segment has been captured by local brands.

Foreign companies' efforts to put things right often make them worse. Typically, their first response is to replace expatriate managers at their local affiliates with Japanese staff. That, however, frequently leads to misunderstandings and conflicts with head office, which responds by putting expatriates back in the top jobs.

Changing market

The heart of the problem is that most foreign companies still insist on centralising authority for their Japanese operations in head office. However, distance and lack of information about the fast-changing Japanese market often prevent headquarters staff from reacting rapidly enough. They also balk at the costly investments in local staff training, product development and quality which are essential to succeed in Japan.

Jones argues that mere tinkering with local management is pointless. A more profound restructuring is needed to enable Japanese affiliates to harness their parents' worldwide strengths effectively to local market requirements. The best solution is to transfer Asian regional headquarters to Japan and invest them with extensive decision-making authority, as IBM, ICI and Dupont have already done.

Such changes can arouse strong bureaucratic resistance within companies, which may be why few have grasped the nettle so far. Yet it is worth remembering that Japanese companies confront at least as formidable a management challenge in complying with western government injunctions to transfer more vital management functions to their subsidiaries overseas.

Of course, Japanese companies have been far more successful in penetrating western markets than the other way round. But as Jones's article makes clear, there are opportunities in Japan for the outsider. If western companies fail to exploit them because they are not properly organised or lack commitment, they can only give credence to the familiar Japanese criticism that they are not trying hard enough.

Guy de Jonquieres

MONDAY INTERVIEW

Howe's not for turning

Sir Geoffrey Howe, Britain's Deputy Prime Minister, talks to Philip Stephens

busy rewriting history to ensure that Mr Nigel Lawson, the former Chancellor, shoulders the blame, he is refreshingly candid.

In the days and months and years when everything seemed to be going very well indeed, we were all of us prepared to share the praise that was heaped upon Nigel. I think it is entirely fair that we should share the responsibility with him. I certainly do.

Sir Geoffrey, who likes to think that as a young politician and pamphleteer in the 1950s and 1960s he was giving form to the liberal, free market policies which the Prime Minister then gave them her name

PERSONAL FILE

1926 Born Port Talbot, Glamorgan; educated, Winchester and Cambridge
1952 Called to the Bar
1964 First elected to Commons
1970 Solicitor General in Heath Government
1974 Contested Tory party leadership winning 11 votes
1979 Chancellor of the Exchequer
1983 Foreign Secretary
1989 Deputy Prime Minister

to, is equally clear about something else.

There can be no U-turns. Since his enforced move from the Foreign Office last July, he has had more time for his favourite hobby - making speeches setting out the principles and philosophy behind the Government's programme.

He has talked about turning the Conservatives into a "listening as well as crusading party", of "government by explanation", of the need for to recognise the central role of manufacturing industry in the economy.

Those who think, however, that his mellow tones signal that he has gone soft in his commitment to "Thatcherism"

are quickly disabused. Colleagues may talk about a gentler Conservatism, about a less radical, more voter-friendly agenda, about a period of consolidation, but he is as convinced as ever that there can be no pulling back.

"This Government over the last decade has by general recognition really tackled seriously the long-term decline of Britain's economic performance. We have done that by bringing a radical agenda to bear and that agenda remains unfinished."

Some may be attracted by apparently easier options. But that is because "there still lurks in the heart of the British people the old willingness to turn away when the going gets really rough."

There are some differences of emphasis. The starting rate of tax at 25p is still too high, but the case for the Government to put its target of a 20p rate at the top of its list of priorities is hardly overwhelming.

There is also recognition that many of Britain's public services have become tatty and inefficient - the "chipped white cups of Dover" is one of his favourite phrases. But structural changes in areas like health and education, rather than a public spending binge, provide the answer.

Nor do Sir Geoffrey's recent speeches on the central role of manufacturing in the 1990s mark a Damascene conversion by the former Chancellor who presided over the devastating industrial shake-out of the early 1980s.

Ministers need to show that they will conduct an intelligent dialogue with industry, that they will help in areas like research, education and training. But Sir Geoffrey is not in the business of stealing Labour's, or for that matter Mr Michael Heseltine's, corporatist clothes.

The Government's main task is to ensure that inflation is kept down and that the tax



"The radical agenda remains unfinished."

system is "enterprise-friendly". What it must avoid is the impression that "Government by intervention can somehow promote and achieve the success that eludes industry for itself."

If Sir Geoffrey is as committed as ever to Thatcherism's domestic agenda, his views on Europe and, symbolic of that, on full British participation in the European Monetary System, remain deeply at odds with those of the Prime Minister.

He would not put it in those terms, but anyone scanning their respective speeches can

not fail to see the gulf.

Mrs Thatcher believes that the tumultuous events in Eastern Europe strengthen her case for a European Community of nation states committed to intense economic co-operation but ceding only a minimum of political sovereignty.

Sir Geoffrey sees it differently. He is sceptical about rushing to admit the newly-emerging democracies of Eastern Europe. The Community must not be exclusive or protectionist but "the important thing is to maintain the circle we have achieved in western Europe of, I think, 'house-

training' the worst excesses of nationalism." Britain must play its part, and that includes membership of the EMS exchange rate mechanism.

While the recent message from No 10 Downing Street, if not directly from the Prime Minister, has been that German monetary union may further delay Britain's decision, Sir Geoffrey insists it must not.

The Government must stick to the conditions laid down at the Madrid summit last year. Its European partners had gone a long way towards fulfilling their side of the bargain, and the most important obsta-

ble now remains Britain's inflation rate.

"There is no suggestion that German Monetary Union has altered things either for ourselves or for the Community." The commitment "remains exactly as defined in the Madrid conditions".

Sir Geoffrey is not talking about membership now - while Britain's inflation rate is still rising - but neither must the Government wait until the rate is down to, say, the German figure.

Membership would "fortify our own anti-inflation policy," and "the sooner we are able to create the conditions, the better." That means, he agrees, that participation before the general election must be a possibility.

It was Sir Geoffrey's alliance with Mr Lawson to force Mrs Thatcher to accept the Madrid formula which confirmed the Prime Minister's decision to move him from the Foreign Office.

His reluctance to leave that job and the accompanying unseemly bargaining over the title of Deputy Prime Minister, and over the provision of a country house at Downywood hardly left relations between the two at their best.

Though Sir Geoffrey secured the role in Cabinet committees that had provided Lord Whitelaw with considerable influence a few years earlier, the Downing Street information machine made it clear that he would not wield similar power.

Depending on who one asks in the Whitehall rumour mill, relations between the two are described as "cool", antagonistic or at best businesslike.

Sir Geoffrey, determined to make the best of his new role as the Government's business manager, insists that much of the gossip is circular - simply a reflection of the way that journalists tend to "take in each other's washing".

"The fact of the matter is that Margaret Thatcher and I have worked curiously closely for a very long time," he says. Both had recognised since last July that "it was important for us to sustain a good working relationship and we have both consciously done that."

They may speak frankly to each other but there is also warmth. So does Sir Geoffrey, who has made clear his interest in taking over if Mrs Thatcher steps down, see any hope at the age of 63 of ever succeeding her?

In a phrase curiously close to one employed so often by Mr Heseltine, he replies: "I cannot foresee the circumstances."

Establishing the right to be left alone

IF EVER a person has a right to be left alone by strangers without any public interest to pursue, it must surely be when he or she is being treated in hospital. Yet, as the Court of Appeal lamented in a recent case involving the actor, Gordon Kaye, a remedy in English law is not always available for invasion of privacy.

The case involved the unannounced and unauthorised entry by a reporter and a photographer from the Sunday Sport into Mr Kaye's private room at Charing Cross Hospital early last month, when he was recovering from brain surgery.

All three judges were only too ready to grant Mr Kaye some relief if they had the power. Instead, they had to place only a limited restriction upon publication by the Sunday Sport, based upon one of the well-established rights of action. The paper was permitted to publish a story and any photographs only so long as they told their readers that their action was done without Mr Kaye's permission; which they did.

Lord Justice Gidwell said that Mr Kaye's case provided a "graphic illustration of the desirability of Parliament considering whether and in what circumstances statutory provision can be made to protect the privacy of individuals." Lord Justice Bingham acknowledged how formidable are the problems of "defining and limiting a tort of privacy," but expressed the hope that the Calcutt committee's deliberations "may prove fruitful."

Lord Justice Leggatt was uninhibited in his call for reform. The right to privacy, he declared, "has so long been disregarded here, that it can be recognised now only by the legislature. He noted that in the US there is a wealth of experience of enforcing the right of privacy, both under statute law and by the development of the common law of judges in England have never been averse, when it suited them or when they



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thought that social conditions dictated it, to fill the more glaring gaps in the legal system. Only recently the House of Lords resorted to the common law in order to sanction the sterilisation of a woman who was mentally incapacitated, provided the patient's doctors attested that the operation was in her best interests. The judges did not throw the burden on to Parliament.

There are properly demands for a creative judiciary to operate upon subjects which governments, for whatever reason, shirk. After all, the judges over

the years have made the law of homicide and, despite recent varying pronouncements by the courts about the precise elements of the law of murder, Parliament has been content to leave defining the crime of murder to the judges.

Could the courts still develop the common law in the way that their American counterparts have done to establish the law of privacy? If the definition and limitation on privacy have so far defeated the attempts of skilled draughtsmen, there is a strong argument for letting the law grow out of a series of rulings in

individual cases. The judges' riposte to the suggestion that they should construct a law of privacy is that it is too late in the day for the courts to create new remedies.

Historically, there has been no general principle of tortious liability, but the courts have given remedies for various forms of trespass and direct injuries. Offences of libel, like libel and slander, later became redressable. Even today defamation is defined through case law rather than by statute.

As is frequently stated by textbook writers and acknowledged by judges, the categories of tortious liability are not closed. There will be room for developing the law protecting the reputation of an individual to the protection of his dignity.

The newspaper industry is justifiably apprehensive of any new remedy for invasion of privacy. It fears it will be used to conceal the misdeeds of the rich and the powerful from investigative journalists.

A claim for damages for an invasion of privacy would operate much like the law of libel, albeit in a wider sense. Editors and journalists would be bound, before deciding whether to publish, to have regard to the risk of a legal action for any invasion of privacy. The journalistic worry is that the courts might be prevailed upon frequently to intervene to forestall investigative journalism, or at least to prevent publication in the name of protecting privacy.

The court of appeal has re-established a long-standing rule that judges will grant injunctions pending the trial of the libel action only very sparingly.

To justify the court granting an interim injunction, it ought only to do so in only the clearest of cases where any jury would say at trial that the matter complained of was libellous and where, if the jury did not so find, the court would set aside the verdict as unreasonable. If that is the rule for libel, it would apply likewise to invasions of privacy.

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